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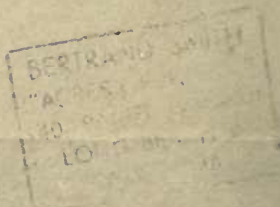


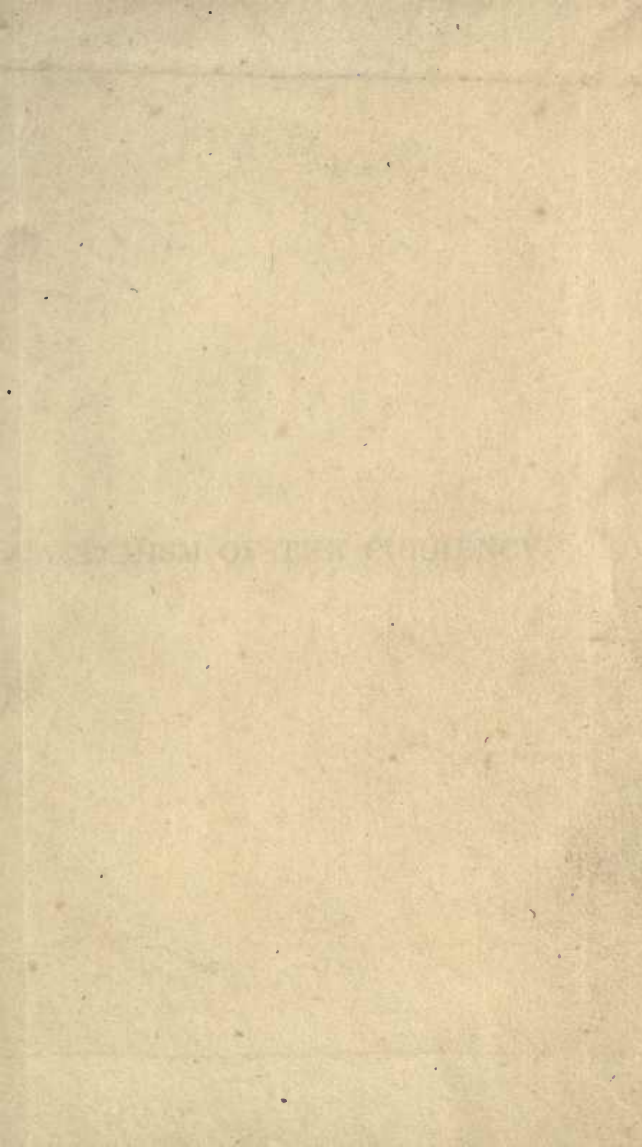
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A

CATECHISM OF THE CURRENCY.

OF THE COUNTRY.

LONDON :
PRINTED BY SAMUEL BENTLEY,
Dorset Street, Fleet Street.

A

CATECHISM OF THE CURRENCY.

BY

JOHN TAYLOR,

AUTHOR OF "JUNIUS IDENTIFIED."

"The pilots to whom the vessel is trusted, are not to be disturbed on every light occasion; but if they are apparently running it upon a rock, a private passenger, who is to sink with it, may be permitted to give notice of the danger."—DAVENANT'S ESSAYS.

LONDON:

PRINTED FOR JOHN TAYLOR, UPPER GOWER STREET;

HATCHARD AND SON, PICCADILLY;

AND PELHAM RICHARDSON, CORNHILL.

1835.

P R E F A C E.

THE following work was written at the request of a friend, who, having a general knowledge of the bearings of the currency question, but not an intimate acquaintance with its various details, was desirous of a manual which would give him special answers to particular questions. His object imposed on the author a necessity of being prolix on some points, which to many of his readers may not seem to have required such minute attention; and for these it must also be his apology.

The work was completed before the late change of administration had taken place; after which event the author withheld it from publication, thinking that the next ministry would scarcely venture to undertake the conduct of the affairs of the country without being prepared to counteract the pernicious effects which the Currency Bill had so obviously introduced. In this, however, he was mistaken; Sir Robert Peel puts forward the prominent part he took in passing that bill as one of his chief claims to the confidence of the country. Undeterred by the consideration that his predictions as to

the results of that disastrous measure have been proved to be incorrect in the extreme,—unmoved by seeing that it violated the very principle on which the greater part of the taxes imposed during the war had been assented to, and that the industrious classes were suddenly charged by it with an overwhelming weight of fiscal payments, from which they had been previously free,—the premier leaves it to be inferred that he is resolved on maintaining to the end that line of policy which was so inauspiciously commenced. It is for the nation to decide whether this shall be done and the work of confiscation completed, or whether another party may not be found willing to correct the admitted errors of an act which is rapidly effecting the greatest revolution this country ever witnessed. It is not yet too late for a statesman to rise up, who, by postponing the complete return of cash payments to that period which public faith requires, and reason as well as equity approves, shall deserve the praise bestowed on one of the greatest men of antiquity—
“CUNCTANDO restituit rem!”

Upper Gower-Street, Jan. 1, 1835.

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A

CATECHISM OF THE CURRENCY.

INTRODUCTION.

1.

WHAT is currency?

Money of the state, and also bills of exchange, promissory notes, bank bills and cheques; all which, being accustomed to pass *current* among men in transactions of business, as the representative of value, are hence called *currency*.

2.

Is there not something very difficult of explanation and of comprehension in this subject of currency?

By no means.

3.

How is it, then, that so few understand it, and that most people speak of it as a subject above their comprehension?

Every one knows something of the currency. He

B

sees his way very clearly for a short distance, and this partial knowledge either emboldens him to theorize concerning the rest, as if he were equally familiar with the whole, or it causes him to feel impatient of being schooled, as a person altogether uninformed, and so renders him willing to pronounce himself unable to comprehend it, that he may escape the trouble of learning. Yet, is it not worth while for the landlord to know why he cannot get his rents ;—the farmer, why he cannot get remunerative prices for his corn ;—the merchant, why he cannot get his bills discounted, or why his best-planned speculations fail ;—the tradesman, what causes his shop to be deserted ;—the manufacturer or artisan, what produces a cessation of demand for his goods, when all around him people are in misery for the want of them ;—the labourer, what renders all his toil unproductive, and, in the twentieth year of peace, has suggested the necessity of a bill to keep him and his family from taking refuge in a workhouse, as a place of comfort and luxury, in comparison with the home which his honest independence now provides him ?

4.

But what is the use of inquiring into the cause of a state of distress from which there is no hope of emancipation ? We *must* go on in the course we have chosen, let it end as it may ; except we make a composition with the public creditor, which is

only another name for a national bankruptcy; and to have recourse to this would preclude the possibility of our ever again raising money on credit, if at any time our existence as a nation should be again seriously threatened.

You are deciding without having had all the evidence laid before you. There is a way open yet—an honourable, wise, and just way,—whereby we may avoid every difficulty with ease, and maintain both public and private credit. It is in the power of parliament to restore prosperity within three months after the day of meeting, if its members are inclined to do justice to themselves, their constituents, and their country. Let us proceed with our Catechism, and I think you will agree with me that there is good foundation for this opinion.

I.

ON VALUE.

5.

What do you mean, when you say a thing is *valuable*?

I mean that it is desirable as a possession or property; that it is capable of being transferred from one person to another; and that it is considered equal in value to some other thing or things which it is agreed between the two shall be given in exchange for it.

6.

Is air valuable?

The most valuable of all things; for without it, neither man nor beast could live an instant; and in situations where men are nearly deprived of it, they would willingly give every thing they have in the world in purchase of it: witness the case of those who were shut up in the Black Hole at Calcutta. Air is also valuable in a lower degree; for instance, good air is worth more than bad or indifferent air. A house situate on a spot where the air is remarkably dry and pure, is worth considerably more than one which has cost the same money to build it, and is, in every other respect, equal to it, but situated in a swamp.

7.

Is water valuable ?

It is inferior only to air. There are times when men would thankfully exchange all other property for a single draught of water. In an inferior degree it is also valuable : a house supplied with a spring of good water will sell for more money than another, exactly similar, which happens to be less fortunately circumstanced.

8.

Then a good climate is valuable ?

Undoubtedly. Men will pay a higher price to live in a good climate, than in a bad one : that is, they will give more for house-rent, and for all the articles they consume or wear, in a country where the climate is good, than they will give in a bad climate ; provided all other things are equal in both. The same may be said of a good government, and of a well-disposed people : they are both sources of pecuniary advantage to a country.

9.

Even good society is valuable ?

Yes : for that is one of the reasons why so many people, who might live anywhere, prefer the neighbourhood of large towns, where rent, and all other expenses incident to the maintenance of an establishment, are much enhanced. A private family will pay as much annually to live in a confined house in London as would procure them the enjoyment of

a mansion with an extensive domain in the country.

10.

Will not this account for the fluctuations which so frequently take place in the value of private houses in London?

It will. Owing to the prejudice against some streets and squares, which are not now esteemed fashionable, the houses in them have fallen considerably below the value which was set upon them a few years ago; while others, in more distinguished sites, are rated above their natural level. In things of this kind there is no fixed rule. *Opinion* gives them an ideal value, often higher, sometimes lower, than that which otherwise would be their just appreciation.

11.

Are not honours valuable?

Undoubtedly. A blue or red ribbon, the badge of an order of knighthood, would have great sums given for it, if it could be bought; and, as it is, a great price has been often paid for a title of honour. In a restricted degree, honour is esteemed worth a considerable sum. The honour of serving his Majesty, in the capacity of a naval or military officer, renders a man content with less pay, though his life is constantly in danger from the service, than another receives who is more securely but less honourably employed in the commissariat. Gene-

rally of employments it will be found to hold good, that in the degree in which there is more honour, there is less pecuniary recompense. Members of parliament and the unpaid magistracy afford proof of the value set on certain degrees of honour, by the pains they take to obtain them.

12.

Can you mention any other things which are in the predicament of those just mentioned?

Many. Books of great rarity; pictures, of the old masters especially, and generally those of painters who are dead; coins of uncommon occurrence; wines of peculiar excellence, the supply of which is less than the demand: in a word, all those things which are in great request, but incapable of multiplication or exact re-production. Their scarcity gives them a peculiar value, the amount of which cannot be calculated beforehand with any degree of certainty, being different in different countries, and depending chiefly on the abundance of wealth possessed by those who are competitors for the purchase of them.

13.

What articles are there, the value of which *can* be calculated beforehand with some degree of certainty?

All things which are capable of multiplication, or exact re-production, to an extent equal to the demand. These are valuable with reference to a

fixed standard of value. Under this head are comprised almost every description of goods, and every kind of ordinary service or labour.

14.

You say "*almost* every description ;" what kind of goods is excepted ?

Such as by a secret mode of preparation, the result of *accidental* discovery, obtain a price in the market beyond that which would, by reason of competition, be charged for them if the process of their manufacture were known, or if they were not protected by a patent. When, on the contrary, this superiority is the result of *scientific* discovery, or long and patient investigation, the goods, though protected by a patent, and sold at a higher price, come properly under the denomination of those which are governed by a fixed standard of value.

15.

What services are excepted ?

Those cases of peculiar talent which entitle the possessor, almost by intuition, to the rank, fame, and emoluments which others, practising the same art, procure by long-continued study and practice. The profession of music affords frequent examples of this kind of accidental advantage. On the contrary, those professions in which distinction is obtained by study and practice, as law and medicine, exhibit only such cases as are paid according to a fixed standard of value.

II.

ON THE STANDARD OF VALUE.

16.

You have spoken of the *standard of value* ; of what does it consist ?

The standard by which the value of goods and services is properly estimated in all ordinary cases is corn, throughout Europe ; in Eastern countries, rice.

17.

Why is corn better for this purpose than flesh-meat, and other articles of food ?

Because it is the greatest necessary of life next to air and water : without it man cannot properly sustain life ; and, having this, he can barter his superfluity of it at all times for all other things. Bread is properly called the staff of life : a deficiency of it is the greatest affliction that can befall a nation. Under its name all other needful things are comprehended. Its supreme importance cannot be denied ; but there is another reason which operates to make it the standard of value. It *can only* be obtained *by labour*, and *with labour it may always* be obtained in proportion to the wants of the community. Again, it is a *perishable* commodity, and therefore it cannot be permanently laid

up in store or accumulated, so as to cause it at any time to lose its value. Thus it is guarded from enhancement on the one hand, and from depreciation on the other; and these two qualities, joined with its universal desirableness and invincible necessity, fit it pre-eminently for a standard of value. Further, it may be obtained by the exertion of the lowest degree of skill; so that, as long as there is land to be cultivated on the face of the earth, there is no need that any man, however humble his capacity, should perish for the want of it, or suffer from the privation of any thing which he can procure in exchange for it.

18.

Is not *labour* a better standard?

Labour is a metaphysical term, denoting something which is intangible: wrought up, it may doubtless be, into substances which are tangible; but it is impossible to be separated from those substances, and therefore unfit to serve as a standard. From this imperfection in its nature, Dr. Adam Smith, after adopting it, was often obliged to abandon the term, and refer to corn for a practical standard. "The one," he says, "is a plain palpable object, the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether natural and obvious." *

* From the following extracts it will be seen, that both Dr. Smith and Mr. Ricardo, finding it difficult, if not impossible, to

19.

But is not corn an article which, above all others, varies in quantity in every country from one year to another ; the crops seldom being for any two years the same in bulk and quality ?

Granted : but to obviate this, we have only to take corn on the average of seven or ten years, and the supply will be brought to a medium.

20.

Assuming that there is a means of equalizing the variable supply of corn from year to year, how do you form it into a standard of value ?

By estimating the quantity of corn which, on the prove how labour is the standard of value, are at last obliged to beg the question.

“ But though labour be the real measure of the exchangeable value of all commodities, it is *not that* by which their value is *commonly* estimated. It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work than in two hours' easy business ; or in an hour's application to a trade, which it costs ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that

average, must be consumed and bartered by a man, *ex necessitate*, while he is engaged in preparing for and producing the work on which he is employed, and by the sale of which he expects to be supported.

21.

But how can this be estimated?

By the workman himself. He knows how much corn will be required to support him in future similar undertakings, by knowing how long a time it has taken him to complete his present work; and as much corn as he must have consumed and bartered away during that period to preserve himself

sort of rough equality, which, though not exact, is sufficient for carrying on the business of common life."—*Smith's Wealth of Nations*, (4 vols. 1828,) vol. i. p. 55.

"In speaking however of labour as being the foundation of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour in one employment with the same duration of labour in another. The estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer and intensity of the labour performed. The scale, *when once formed*, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, *it has long ago been adjusted*, and placed in its proper position in the scale of value."—*Ricardo's Political Economy*, p. 13.

in health and strength, and to give him the comforts essential to his proper existence, is the lowest standard of the value of that work on which he has been employed.

22.

If you let him fix the quantity, he will demand more than enough, that he may live the more easily?

The remedy is at hand,—in the competition of workmen. His customers will go from one to another, and see who is willing to work for the lowest quantity of corn; they will employ him, as of course yourself and others naturally would do, for your own interest, and the overreaching workman will thus be forced to lower his demands.

23.

But in order to get back his customers, he will be ready now to work for less than will maintain himself in his needful health and strength?

If it were so, he would be justly punished for his fault; but as soon as he has regained employment enough to allow himself needful rest and refreshment, he will, if he is wise, go on again contentedly in that track which Providence has marked out as best for him.

24.

You think, then, that between the desire of ease and comfort on the one hand, and the check from competition on the other, the quantity of corn due

to every man, for every kind of work, would be accurately adjusted?

I do: and from the operation of these two principles it is, I conceive, easy to see, that the proper quantity of corn due for mental as well as bodily labour would eventually become most exactly definable.

25.

How does it account for the difference of compensation between an agricultural labourer and a working jeweller?

The lowest degree of skill, and very little preparation, are necessary (see No. 17) to qualify a man to perform the inferior duties of husbandry; but for discharging these, he is entitled to as much corn as will preserve him in health and strength, to as much more as in barter will procure him the clothing which is necessary to keep him decent and comfortable, provide him a shelter from the inclemency of the seasons, and leave him a small surplus towards his maintenance in old age, or he must come to the parish workhouse at last, which will be more expensive to his employer. Suppose he has two bushels and a-half of wheat per week for these exigencies, and the working jeweller earns ten bushels a-week, the greater remuneration of the latter is not beyond his due desert: for, in the first place, he required a long preparation to give him that degree of skill in his craft which has made him

an able workman in a difficult branch of art, and his recompense now is partly a return for expenses then incurred: secondly, his art is one which requires a correct eye, a nice hand, and good taste,—qualities which every man does not possess, and which therefore bring him who has them under the description of persons enumerated in No. 15: and, thirdly, his livelihood is a very precarious one, for a trivial accident might impair the dexterity of his hand; his eyes may grow weak; and he is more exposed to ill health, from his sedentary employment, than those who labour in the open air.

26.

But can so great a difference as four times the quantity of corn for a week's labour be really due to the working jeweller, in comparison with the lowest labourer on a farm?

It certainly is, or he would find his income trenched upon and reduced by competition, according to the principle laid down in No. 22.

27.

This, perhaps, may explain the case of the more highly-paid working jeweller, but what is the reason why some kinds of ordinary labour are much better paid than others?

Wherever that is done, there are certain disadvantages to which the labourer is exposed, for which he deserves a higher recompense. The hazard of digging wells commands and obtains for

workmen of that class superior wages; still higher are, or ought to be, given to men employed in white-lead works,* coal-pits, lead-mines, and other unwholesome or dangerous occupations. In these, and similar instances, the same quantity of corn obtained by less labour, or a greater quantity of corn by equal labour, gives no advantage to him who seems at first sight to have the greater gain; for if he works fewer hours, it is because his health and strength would fail if he worked as long; or if he gets more corn for the same quantity of labour, it is because his health or life will in all probability pay the forfeit some day, unless from the superabundance he seems to have at present he lays up enough to enable him to withdraw in time from his hazardous employment.

28.

You think, then, that all commodities and services are valuable in proportion to the quantity of corn supposed to be consumed or employed in preparing for and executing them?

Not exactly so; or an improvement made in the manufacture of an article, after, for example, a

* Men engaged in dangerous or unhealthy employments are frequently those who have lost their character; and because they are not able to get into better work, they accept this at a price frequently not greater than that of ordinary labour. These exceptions, it is scarcely necessary to observe, do not affect the principle, or what *ought* to be the principle, of the case.

year's consideration, would require to have the whole of the corn for that period charged at once on the first complete specimen of the inventor's success. But except it is guarded by a patent, or the process used is kept secret (see No. 14), the lowest value of every piece of work is the quantity of corn necessary to support those who are engaged in effecting its ordinary *reproduction*.

29.

And the same of services ?

Services also (with the exception of those mentioned in No. 15) are worth, at the *minimum*, the quantity of corn necessary to preserve a man in health, strength, and comfort for his present exercise, with so much more spread over a long series of instances as will, in due time, return him that further quantity which he is supposed to have consumed and employed in preparing himself for his undertaking.

30.

It is perhaps difficult to speak in terms so correct as to defy all cavil, but I understand your meaning in the general, and can apply it myself to particular cases. You give us, then, a law, by which men are governed in making a charge for goods or services, which law secures to them the *minimum* amount of their reward ; for no man in his senses will work long, if he can help it, for a less quantity of corn than will suffice to keep him in the lowest

possible degree of health, strength, and comfort : but where is the law that is to guard society against too high a demand—where is that check to be found which limits the *maximum* ?

It is met with, as I have said before, in *boundless competition* (see No. 22). If one man, or class of men, charge and obtain too much for any goods or services—that is, more in proportion, all things considered, than others obtain for their goods or services in a different way,—the less profitably employed part of the community will enter the lists with those who get too much, and will speedily reduce their advantages.

III.

ON THE MEASURE OF VALUE.

31.

Would there not be great inconvenience found in any attempt to pay people with corn ?

Very great indeed, both in the act of payment, in carrying away the sum paid, and in treasuring it up. But all this is obviated by another means,—the establishment of a *measure of value*,—which, in the simplicity of its contrivance, and in the universality of its use, leaves nothing to be wished for.

32.

What is this measure of value ?

Gold, silver, and copper ; either of them, or all.

33.

How are they made to constitute the measure of a value which exists in corn ?

We have seen in what manner the value of any commodity or service is found in corn ; let us suppose, then, that gold is tried by this test, and it comes out that to obtain one ounce of gold from mines or the sand of certain rivers, and to bring it to this country, requires, on the average, a repayment of two quarters of wheat as the equivalent ; then will two quarters of wheat be equal to one ounce of gold, one quarter to half an ounce, and four bushels to one pennyweight six grains of gold, or a

sovereign. We give then the gold instead of the corn to the party about to receive an equivalent for his goods or services, which gold he can keep as long as he likes, and exchange when he pleases for corn, or give to others in return for goods or services received from them.

34.

I see this : but, for minor payments, you would require pieces so very small, that they would be in danger of being lost ; and so, I suppose, you would call in the aid of silver ?

Yes : and it so happens, that the two metals may be obtained by the consumption or employment of the same quantity of corn, in proportions bearing a very convenient relation to each other. For as two quarters of wheat are the equivalent of one ounce of gold, it appears, since the discovery of America, that with the same supply of corn, men are now enabled to raise from the mines there, and transmit to England, nearly sixteen ounces of silver ; therefore, one ounce of gold and nearly sixteen ounces of silver are respectively equal. With copper we can go of course much lower.*

* “ Gold and silver, like all other commodities, are valuable only in proportion to the quantity of *labour* necessary to produce them, and bring them to market. Gold is about fifteen times dearer than silver, not because there is a greater demand for it, nor because the supply is fifteen times greater than that of gold, but solely because fifteen times the quantity of *labour* is necessary to procure a given quantity of it.”—*Ricardo's Pol. Econ.* p. 421. Substitute *corn* for *labour*, and this description is correct.

35.

Would not the discovery of more mines of gold and silver alter the relative value of these metals?

Not in the least, unless those mines should exhibit the metal in so much greater abundance, that by the consumption and employment of the same quantity of corn, a greater quantity of metal could be obtained and brought to market; then, indeed, the relation they now bear to each other and to corn would be altered. Increase the number of mines as much as you will, only let the difficulty of obtaining the produce be as great as it is at present, and there can be no alteration made in the value of either metal.

36.

May not machinery be expected to make some improvement in the facility and rapidity with which silver is obtained?

It may; but of that we have no certain evidence at present; when we have, the proportion of silver must be increased to bring it up to the value of the gold.

37.

Is it not generally considered that gold and silver, being of all articles those which most slowly alter their value, are, on that account, either one or both of them, the best *standards* of value?

It is so thought by many; but this is a strange error. How can that be fit for a *standard* of value, which under certain circumstances is of no value

at all? A standard ought to be something *unsurpassable* in its kind. Snow is considered a standard of whiteness, because it is the whitest object in nature; the sun, of brightness, because it is the brightest object; the scriptures, of truth, because they are the only writings free from error. The most consummate thing of every kind is the standard of its kind. But how does this hold good of gold and silver as a standard of value? They are both surpassed in beauty and rarity, that kind of value which is attributed to them, by pearls and diamonds. But gold and silver, and pearls and diamonds, are of no value at all to men cast on a desert coast, when corn would be of infinite value;—instead of being standards to which every thing else must conform, they then lose every trace of that character. Even with us at present, in years of moderate scarcity, they sink in value very much compared with corn; and in times of famine, they fall almost to zero in the scale. But corn is always valuable, and always retains its proper value: that value may be increased for a time by failing seasons, but it can never be permanently diminished; and, on an average of every seven or ten years, it may be pronounced invariable.

38.

But is not that fluctuation in its value from year to year, which you admit, a strong argument against its employment as a standard?

None at all; for fight against it as we will, it is, and ever will be, the practical standard to which men will refer. In the long-run, they will demand and obtain for goods and services as much corn as *on the average* will maintain them in unimpaired health and strength; and by the use of gold, silver, and copper as *measures* of value, of which they will receive such a proportion as makes allowance for ordinary differences in the annual supply of corn, they are enabled to obtain a sufficient quantity of it, from year to year, despite the variation of the seasons. Thus the imperfection which exists in corn is corrected by the use of gold or silver; and that which exists in gold or silver, is obviated by corn.*

39.

Are these metals the only measures of value?

No; lead, tin, iron, platinum, are all equally so, according to their several equivalents in corn. Tin was formerly used for that purpose by the Syracusans in their coins:—tin mixed with copper, which made brass or bronze, by the Romans:—iron, by the earlier Greeks:—lead mixed with copper, called billon, by the French:—and platinum is at this time employed by the Russians for coin. One is as good a measure of value as another; but the rarer

* From century to century, *corn* is a better measure than silver From year to year, on the contrary, *silver* is a better measure than corn." *Smith's Wealth*, vol. i. p. 64.—All that Dr. Adam Smith failed to discover, was, that by each being a check on the other, the advantages of both might be combined.

metals are the more convenient, because they have greater value in less compass, and that recommendation has led to their general adoption.

40.

Did the ancients always regard the intrinsic value of the different metals in the coins they used?

They kept their several pieces of money to a certain relation to each other, which relation was in their opinion very nearly that which these metals naturally held. The Romans esteemed gold ten times more valuable than silver; and silver one hundred times more valuable than copper or bronze. The Greeks valued copper at ten times the worth of iron. Before the discovery of the New World altered the value of silver, these proportions were very near the truth, and with that exception they still remain so.*

* The average price of copper from the year 1800 to 1832, was 120*l.* per ton avoirdupois, or one penny per ounce troy. Lord Liverpool, in restoring the value of our coin in 1816, made the penny of an ounce weight. Bar iron still retains its relation of 10 to 1 less worth than copper; the average price from 1803 to 1829 having been not less than from 11*l.* 10*s.* to 12*l.* per ton, so that gold, copper or bronze, and iron, are not altered in relative value during 2500 years, and are thus shown to be remarkably well adapted for the measure of value. Compared with each other, the relative proportions may be thus stated:—

	<i>Gold.</i>	<i>Silver.</i>	<i>Copper.</i>	<i>Iron.</i>
Ancient	1 oz.	10 oz.	1,000 oz.	10,000 oz.
Modern	1	15 to 16	1,000	10,000

41.

Was a fixed *denomination of weight* preserved in their coins, such as that of pounds, ounces, pennyweights?

The Romans regarded their coins as so much weight of metal; but as it is impossible to preserve a certain common denomination of weight among three metals, which differ in their respective value in the degree of $1 = 10 = 1,000$, they gave to the more current and general coin a well-known specific weight, and made the others comply with that weight in such degree as their relative value required. Their principal money was the bronze *as*, which was coined at first of the weight of a pound, then it fell to two ounces, to one ounce, to half an ounce; at each stage of its declension, the silver* and the gold coins were accommodated to the bronze, so as to preserve the relation of value above-mentioned.

42.

Did we not observe the same rule in earlier times with our coins; were they not originally certain weights of silver?

Originally, pounds, ounces, and pennyweights,

* In estimating the value of ancient silver coins, Arbuthnot and others have rated them 50 per cent. too low, from not attending to the difference in the value of silver. The intrinsic value of the drachma of 54 grains was equal to $10\frac{1}{2}d.$ or $11d.$ of our present money, instead of $7\frac{1}{2}d.$

were the denominations of our silver coins, (we had then no gold nor copper money,) the coins themselves being pennies of twenty-two and a-half grains each. Of these, two hundred and forty made our Tower pound, which was exactly equal to the Roman pound. As late as Edward III. we find in public documents the accounts kept sometimes in pounds, ounces, and pennyweights; and sometimes in pounds, shillings, and pence: after that, the latter denomination prevailed, because the weight of the penny was then in some degree diminished.

43.

Would there be any essential advantage in restoring the ancient weight of our coins, or any other well-known denomination of weight?

None: for their present weights are well known, and we, like the ancients, preserve a certain relation in the coins of different metals. If, however, we were to desire to imitate them, so far as to have a standard or normal weight, we might at the present time, conveniently enough, assign a well-known weight to the sovereign:—by leaving out only three grains, it would be a quarter of an ounce. This change might be made without altering the weight of our silver coins, which at present are far too light in proportion. Or if we adopt silver as our principal metal, we might coin the crown-piece of an ounce weight; the half-crown, of half an ounce; the shilling, of four pennyweights; the six-

pence, of two pennyweights ; and also restore the old pennyweight or *sterling* of silver, now worth three pence. These alterations would be imperceptible to the eye, and of very little importance to the public, for the general scale of prices would scarcely be affected by them. Of the two, it would be better, perhaps, to increase in that small degree the weight of the silver coin, than to make the gold lighter ; because, by the imperial measure, we have increased a little the weight of the quarter of corn ; and unless we keep up or slightly increase the weight of our coin also, we cannot so exactly ascertain, as we affect to do, the present price of corn in comparison with former years.

44.

Is it not more desirable to make silver a standard weight, and raise it to be the principal measure of value, because other nations adopt it also ?

It appears to be generally thought so. But if the use of machinery much affects the value of that metal, by raising it from the mines at a less cost of corn, our coin will undergo a silent depreciation ; and those who are in the receipt of fixed sums for long periods, will find their income gradually decrease in its power to purchase corn, and, with corn, all other goods, and every kind of service.

45.

Many would rejoice at that, and especially the working classes ?

They would have no reason ; for wages would be silently depreciated too. With a proper system of money, it would neither improve nor injure their condition.

46.

Are not gold and silver *money* ; and would they not have a greater quantity of that, if it were cheaper ?

And where would be the advantage, if it would not command more commodities ? But gold and silver, when they are of equal value, as commodities, with the articles for which they are exchanged, are not more properly money than are those commodities. Strictly speaking, we have scarcely any money at present, and to this may be ascribed all our financial and commercial difficulties.

IV. ON MONEY.

47.

WHAT is money ?

Money is a *token*, of certain nominal amount, issued by government in return for value received, and payable into the exchequer for taxes, whence it becomes of necessity a *general legal tender*.

48.

Does it not possess intrinsic value ?

Not properly, or it would be a commodity, and not money. The word *money* means a *token*.*

* “ Money,” says Sir W. Blackstone, “ is an *universal medium*, or common standard, by comparison with which the value of all merchandise may be ascertained : or, it is a *sign* which represents the respective values of all commodities.”—*Commentaries*, B. i. c. 7. The learned author gives us in these words two definitions or descriptions of the meaning of the word money : the first has reference to the *measure of value*, gold or silver ; the second, to *money* properly so called. By confounding these two definitions together, he immediately afterwards makes bullion only the *sign* of value, and reasons thus erroneously concerning it : “ As the quantity of the precious metals increases, that is, the more of them there is extracted from the mine, this universal medium or common sign will *sink in value*, and grow less precious. Above a thousand millions of bullion are calculated to have been imported into Europe from America within less than three centuries ; and the quantity is *daily increasing*. The *consequence* is, that more money must be given now for the same

49.

What value does it represent ?

Whatever value the government pleases to fix upon it: 1*l.*, 5*l.*, 50*l.*, or 100*l.* Small slips of paper, intrinsically not worth one farthing, may be made to pass current for any of these sums, or for others of much larger amount; and for the fractions of a pound metallic tokens will suffice. We used formerly tallies of wood for sums of large amount.*

* 50.

How comes it that articles comparatively worthless can have this value given them ?

The state which issues them engages to receive them again in payment of taxes at that rate of value which is fixed on them, and for which it has paid them away. This constitutes their value.

51.

If government were to refuse to receive this paper or wood, it would be of no value ?

Of none whatever.

commodity than was given one hundred years ago.”—*Comm. B. i. c. 7.* To this incorrect conception of the nature of money may be traced all our modern mistakes in the science of political economy; among others, the supposed necessity for a late enquiry into the present produce of the gold mines.”—(See No. 34 and Note, and No. 35.)

* It is remarkable that Blackstone makes no mention of money of this kind. It was introduced by the earliest of our Norman kings, along with other processes of the exchequer. In the laws of Henry I. (c. 56) tallies are mentioned as a means of collecting the revenue, and a very particular account of them is given in

52.

Might not government refuse to receive it?

Not after issuing it, without a virtual surrender of all honesty, and with it all the right of government. In such a case, the rule of that power would be at an end : the attempt would be its well-merited destruction.

53.

Might not government with impunity impair the value of this sort of money by issuing too much of it?

In the event of its issuing too much, the evil would recoil on itself. Independently of which, such issue would be a high crime in the government,—a breach of trust committed against the people.

54.

How would the evil of such extra issue recoil on government?

If it were to issue more annually than the annual taxes withdraw from circulation, the superflux would

the *Dialogus de Scaccario*, written in the reign of Hen. II. They were usually struck for large sums, ordinary payments being made by the coin of the realm, and hence the barons, reproaching Henry III. with his extravagances and debts, add as the climax, that he had given “tallies for the victuals of his table.”—*Knyghton*, Col. 2445. In the year 1698, the sums of money represented by tallies amounted to 8,882,544*l*. Tallies were afterwards gradually superseded by exchequer (paper) bills, and were abolished altogether in the twenty-third year of the reign of George III. For a description of tallies and their use, see “*Essay on Money*,” (1833,) p. 24.

then become of less value, by which the next issue would be impaired in public estimation; less would be given for it in exchange, and yet the exchequer would be compelled to receive it at its nominal value in discharge of taxes.

55.

But the government could issue so much the more money next year, and so make up in quantity for the deficiency in quality?

Which would again add to the deterioration of the mass, to be remedied by a still further issue. The downfall of such a state might be predicted with safety. Such madness could only be the act of a despotic government, doomed to fall, and hastening its own destruction; for no other government than a despotic one dare or could attempt it.

56.

Could not a representative form of government do the same thing?

Not unless the people as well as their rulers had lost their senses. What rational minister would recommend—what sane people would consent to, the issue of more taxation-money than represents their annual taxes? They are aggrieved enough by such a degree of taxation as is unavoidable, and would of course rather lessen than increase its amount.*

* “ The sinking fund is managed by commissioners, responsible only to parliament, and the investment of the money entrusted

57.

Why do you call it taxation-money?

Because money is issued by the state as a means of taxing the people.* The government pays with this money all to whom the state is indebted;—the army, navy, civil list, contractors, and public annuitants. When these receivers spend their money, the people give goods or services for it: they then surrender it to the tax-gatherer, to liquidate the demands which the state makes upon them. Thus each man is annually *minus* that quantity of property which constitutes the amount of his annual taxes.

58.

If government did not issue more than was required to equal the amount of the annual taxes, you say it could not then be depreciated: what would be the effect if it issued only half as much?

The half must circulate so much the quicker, and perform double duty. Every pound of that money must, on the average, pass twice a year through the

to their charge proceeds with the utmost regularity; what reason can there be to doubt that the issues of paper might be regulated with equal fidelity, if placed under similar management?" *Ricardo's Pol. Econ.* p. 435.

* We meet with the words "good taxing money" as early as 1389: "*dedit et concessit, videl. pro summa quadraginta librarum bonæ monetæ censualis.*" Carpentier. But the mention of *tribute money* is indeed coeval with that of *money* itself.

treasury, and twice through the hands of the people. Thus the effect would be the same: the government would still issue the same annual amount of money.

59.

What would ensue if the government issued no paper money, as is the case at present?

It must borrow bills from the Bank of England or some other commercial body, to serve the purpose of making the above-mentioned payments. For these bills it pays interest. By issuing its own money, the expense of all that interest would be saved to the state.

60.

How could the government begin to issue its own paper now, to the full extent, without doubling the amount of taxation-paper in circulation, which would at once depreciate its value?

The government, when it began to issue its own paper, would not put into circulation again that which it had borrowed, but would return this to the parties lending it, as soon as it was brought in by the collectors, and thus cancel the debt it owed, by which means the saving of interest would be made. The government, therefore, would only issue for taxation purposes the same amount of paper money as before.

61.

What would become of that bank paper, so returned?

It would be employed, as far as was necessary, in aid of commercial transactions; for, besides taxation paper, which exists for government purposes, there is commercial paper, which exists for the convenience of trade.

62.

Is not commercial paper *money*?

No. It is the acknowledgment and transfer of a claim of debt. A bill of exchange, "is an open letter of request from one man to another, desiring him to pay a sum named therein to a third person on his account. Promissory notes are a plain and direct engagement in writing to pay a sum specified at the time therein limited to a person therein named, or sometimes to his order, or often to the bearer at large. These, also, are made assignable and indorsable in like manner as bills of exchange*." Thus, commercial paper is *not money*; it is only an engagement to *pay money*, on the faith of which it passes *current as money*.

63.

Is there no reason to fear that such paper may be issued in excess?

To the injury of the community, none whatever.

64.

To the injury of individuals?

Yes: when a man takes as the transfer of a claim

* *Blackstone's Comm.* B. ii. c. 30.

of debt a bank bill which is forged, or one which is issued by parties having no effects, he loses what he gave for it. He has been defrauded, or he has made what he calls a bad debt.

65.

Is not that an evil arising from the excess of commercial paper ?

No : it is an evil arising from his paper not being what it pretends to be, or from his giving credit to some person who was not worthy to be trusted. In every state of society such losses are unavoidable : they occur equally with bills, and without. The individual must be upon his guard, and take no paper but that of well-known solvent parties, as he is on his guard not to sell his goods except to men of approved credit.

66.

Who is to take up commercial paper in gold ?

Every banker will be an exchanger of gold for bills, or of bills for gold ; and the Bank of England will be the greatest mart of all for that purpose : but it is sufficient if commercial bills are paid in money.

67.

Will there not be a liability on the part of the Bank and banking companies to stop payment, by having at times a run for gold made upon them ?

None : for they will be able to protect themselves, if there should be any need, by giving in exchange

for commercial paper, that of the government, which would be a legal tender.

68.

Why did you say money was not an article of intrinsic value, when we have money of gold, silver, and copper, issued by the state?

Because intrinsic value is in such cases an accidental, and not a necessary quality of money. When our coins are of such weight and purity that as bullion they are worth what they professedly pass for, we may call them money, but they are properly bullion (No. 46.) They have received from government a stamp, it is true; but without the stamp, they would pay for as much as they do with it.

69.

For what reason then was it thought desirable to make our coins of such a weight as to be nearly if not of equal value with bullion?

To guard against their being counterfeited. Secure the inferior kind of tokens from being imitated, and there would be no need of our having coins of full value, or of any intrinsic value. We should take the metallic token for what it purported to be, as we take paper money for what it professes to be; which, whether it passes for 5*l.*, 10*l.*, or 50*l.*, is still only a piece of paper.

70.

But it is very difficult to make metallic tokens which cannot be imitated?

Let us then have paper money as low as the value of one pound; and for the fractions of the pound, silver, and copper coins, as we have at present, taking care to keep them, which we do, somewhat below their proper value, that they may not be sold as bullion. We sustained no inconvenience from this system of paper money, with metallic fractions, during the war; and I am perfectly sure the people of this country, of all classes, would rejoice to see it again.

71.

Surely you would not recur to any system which is calculated to restore the high prices of the late war? If you care nothing for the interests of commerce, which would be entirely destroyed by such a system, think of the distress it would bring on the labouring classes. We should soon have bread at 1s. 4d. the quartern loaf?

But if the taxation of the country required it, and if relief cannot be brought to *any of the industrious classes* without such advance, then it ought to take place, according to your own argument. As for the interests of commerce, it is, in truth, the only way by which they can be effectually protected.

V.

ON TAXATION AS IT AFFECTS PRICES.

72.

How can the taxation of a country require high prices ?

There are three ways of taxing people : one of these leaves prices unaffected, another lowers them, the third raises them.

73.

What kind of taxation is the first, which leaves prices unaffected ?

That which takes the taxes directly from the wealthy, in proportion to their wealth, and lets the industrious poor man go free.

74.

That is the perfection of taxation ; how is it accomplished ?

Less perfectly in practice than in theory. We made an approach to it during the war, in levying a property and income tax ; but it was very unequally levied after all, and it was attended with such painfully inquisitorial investigations that the spirit of the people could hardly brook it.

75.

Could it not be improved ?

Perhaps it might ; but it is a difficult matter for the rich to tax themselves. Another form of this tax is the land tax ; but that is now in a great number of instances redeemed, and it would occasion, I fear, great perplexity to attempt to renew it on a more extensive scale.

76.

I fear there is but little to hope from taxation of this direct kind, if these are your only examples. What is the second mode, which lowers prices ?

Taxes levied on industry, and paid out of prices to the diminution of profits.

77.

Why that seems a very iniquitous mode. Here you directly tax the poor industrious man ?

Yes, but it is conceived that the tax falls ultimately on the rich.

78.

How ?

When the industrious poor man has paid his taxes out of his prices, to the diminution of his profits, he has of course so much less remaining to discharge all other outgoings with : consequently, he must contrive to make less do for these outgoings, and accordingly his landlord must receive less rent, and all those persons of whom he buys the articles which he uses in his trade, and the farmer of whom he buys the corn which he requires to support himself and his family, must all take less for their com-

modities. Now, if the farmer receives a less price for his corn, he cannot afford to pay his landlord so much rent for his land; and so the rich man, as he is the owner of lands, and lives upon what his tenants can afford to give him, at last finds the taxes begin to press upon him, and then he sets about removing them, because it is such as he who are in parliament and have that power.

79.

But before it comes to him, the war may be over?

It often is; but if not, it soon comes to a termination after that. The American war was defrayed out of taxes raised on this principle, and it is well remembered what distress it occasioned the farmer before it ceased.

80.

This is an oppressive system. What is your third method? It cannot surely be worse than this?

It is of recent discovery, and is not yet understood even by those who made use of it. They acted under a blind necessity—doing this because nothing else was to be done; and they cannot yet see that it was the only principle of taxation that ought to prevail, and the only one that ever will, if the people are wise enough to know their own interests.

81.

What is this principle?

The reverse of the last. Instead of taking taxes out of prices, it adds them to prices.*

82.

How is this done?

Suppose we have an issue of government paper money, or that Bank of England paper is made an absolute legal tender; that, in consequence of this, the Bank is not compelled to give gold for its notes at the rate of pound for pound; that one pound notes are again issued; and that every pound in paper is received as a pound in payment of the taxes. When, under these circumstances, taxes are demanded of the industrious man to a greater amount than he can afford to pay, he adds the amount to his prices, charging so much more on all his sales as returns him in the year all the taxes he had paid above his ability.

83.

But how can he do this now better than before?

By the increased issues of paper money: for the Bank of England, being released from all fear of an

* “The sum required by the tax must be raised, and the question simply is, whether the same amount shall be taken from individuals *by diminishing their profits* or *by raising the prices of the commodities* on which their profits will be expended. Taxation under every form presents but a choice of evils: if it do not act on profit, or other sources of income, it must act on expenditure; and provided the burthen be equally borne, and do not repress reproduction, it is *indifferent on which it is laid*.”
—Ricardo's *Political Economy*, p. 184.

inconvenient demand for gold, is willing to extend its issues ; and a legal tender being all that is required of the country bankers, they are willing to issue their notes in greater abundance : when, therefore, the industrious man, requiring higher prices to repay him his increased taxes, has occasion for the issue of them, they come out, and he gets relieved from the taxes which oppressed him.

84.

Who pays the taxes at last ?

The richer part of the community, in the increased price which they pay for all the goods or services they have occasion to purchase.*

85.

But a poor man pays the same price as the rich ?

Yes ; but being a poor man, he must work to live, and for his work he gets an increased price, because he cannot live as well as he ought unless he now charges more. He therefore remains uninjured by the increased taxation.

* “ If my revenue be 1000*l.* per annum, and I must pay taxes to the amount of 100*l.*, it is of little importance whether I pay it from my revenue, leaving myself only 900*l.*, or pay 100*l.* in addition for my agricultural commodities or for my manufactured goods. If 100*l.* is my fair proportion of the expenses of the country, the virtue of taxation consists in making sure that I shall pay that 100*l.*, neither more nor less ; and that cannot be effected in any manner so securely as by taxes on wages, profits, or raw produce.”—*Ricardo's Political Economy*, p. 185.

86.

What now becomes of the standard and measure of value ?

These remain unaffected by the change : the same quantity of corn and of metal is given for the same goods and services as before. It is only their *price* that is altered, and that is altered alike on all commodities : wheat is dearer, gold is dearer, labour is dearer, all things are dearer, but only to the rich and unproductive class, who pay the added taxes.

87.

Of what does price consist ?

It is the expression of the measure of value, and of taxation charged on commodities, which, being represented by money, adds to the price of all things, but does not disturb their natural relation to each other, and to the standard and measure of value.*

88.

I perceive now the propriety of the distinction drawn between the metals and money. *They are value itself*, which cannot alter ; while, on the contrary, *money*, being the representative both of the *measure of value*, and of *taxation*, has a double function to perform, with relation to commodities, of

* “ The bullion price of all things may be considered to be their general price, because bullion necessarily bears that value, or nearly that value, in each country, in exchange for goods, which it bears in all.”—*Thornton on Paper Credit*, p. 299.

which *price* is the variable expression. I can see that 4*l.* in paper, without taxation, may be equally the representative of four sovereigns, and of two quarters of wheat; while the same articles, with taxation, may require 6*l.* in paper to represent them. But in this case how are the 2*l.* representing taxation paid by the importer of the gold?

All the goods he can buy here are advanced by the taxes from 4*l.* to 6*l.* — He pays that price for them when he buys them to send abroad in exchange for gold. He has consequently bought the ounce of gold for 6*l.* in paper money, which sum it will re-produce him when he takes it to the Bank and exchanges it for paper.

89.

But how can he know the precise amount of taxes which ought to be charged on the goods he buys?

By finding out, in the market, the lowest price at which they can be purchased.

90.

Will not this increased price injure our foreign trade?

No: it preserves it from injury. Foreigners have nothing to do with our internal regulations as to what taxes we shall pay, and by this means they are not in any respect made a party in the transaction. They sell their goods, as before, by a measure of value in gold or silver, founded on the stand-

ard, corn ; but that is a *natural*, not a *national* price ; they receive that value from our merchants in gold, silver, or other commodities ; and whether that value be equivalent in *this* country to 4*l.* or 6*l.* of our money, is no concern of theirs. They get neither more nor less by the transaction on that account.

91.

But I have heard it said, that they do get more value from us at present than we receive from them ?

This indeed is true, under our present absurd system. But we are talking of what ought to be, not what is, the practice.

92.

But how does the farmer under this paper-money system pay an increased price for his corn, so as to be justified in charging 60*s.* for a quarter of wheat, instead of 40*s.* ?

In consequence of the increased taxation, he pays every tradesman more for his goods, and every labourer more for his services, than before ; and again, he has some taxes to pay on his own account. He, therefore, charges more for his corn, that he may be placed in the same relative situation which he was in before. An advance in the price of corn affects every one ; and thus again, in self-defence, the persons from whom he obtains

goods or services are compelled to charge still higher prices, that they may be maintained in their relative position. These charges and counter-charges continue till the parties, the farmer as well as others, are relieved from that portion of the taxes which would otherwise sink them below their proper degree of health, strength, and comfort.

93.

If all men pay more for goods and services, and are allowed to re-imburse themselves by charging more for that which they have to dispose of, then landlords will charge more for house-rent and the rent of land?

House-rent and the rent of farms may in some instances become higher in consequence of that general prosperity of the country which would ensue if the system of currency here proposed were adopted. Higher prices might also be expected, from that preference of England as a place of residence over other countries which many are inclined to give it (see Nos. 8, 9). But, generally speaking, rents would not rise so high as to return the landowner his taxation. He would, however, soon derive relief from the rapid reduction of the national debt; the diminished rate of interest would render his estates worth a greater number of years' purchase; and he would eventually be free from all

pecuniary obligations, public and private, at a trifling cost compared with that which he will have to pay under the present system.

94.

What check would he have against exorbitant demands on the part of those who deal in all sorts of commodities?

The same check which operates at present—unlimited home-competition (see No. 22), with the further restriction imposed by the free admission of foreigners offering their goods for sale at the lowest metallic value.

95.

Then you would admit foreign corn duty-free?

Certainly; the farmer would have a sufficient protection at all times in the difference between paper and gold. He would in return have an opportunity of exporting corn, a chance which he is utterly denied at present.

96.

Where would be the harm if landlords received a general increase of rent, to make them some recompense for the increased prices of goods and services?

It would only hurt themselves: every increase of rent would add to the cost of producing corn, in the same manner as an increase of taxation does; and as the producer of commodities, to protect himself, would charge a higher price in conse-

quence for his goods, so the landowners in the end would lose more by the operation than they would gain. This is an argument also against corn laws.

97.

Would you allow a free trade in every thing?

In every thing that is not taxed so high as to be brought into disadvantageous contact with a foreign production. Isolated cases of this kind must either be given up, or a duty equal to the difference be imposed on the foreign article.

98.

Should we gain or lose, comparatively, by our foreign trade under this system?

The more goods we sent abroad, the more we should receive in return; but with this difference in our favour, that by means of our superior skill in the use of machinery, we should export a value which would equal that of the foreign goods in a foreign country, while it would actually be produced for less in our own. Thus the goods of the foreigner would in exchange come cheaper to us than they can be produced to him. In these advantages, all classes, the wealthy especially, would directly participate, and be most beneficially interested.

99.

But still the effect would be felt by the landed proprietor?

Undoubtedly. He would find his income rendered less available in the purchase of goods and services, in the same degree that prices generally increased. This is the just and necessary consequence of the late war, for which some one must pay.

100.

But how would the fundholder or mortgagee be made to pay?

His income being the same as before in nominal pounds, would lose its power to purchase, in the exact ratio that the landlord's rent had done.

101.

Would not that be unfair to those who have lately become purchasers of landed or funded property?

Quite the contrary. As long as the present heavy taxes continue to be levied, every landowner will receive in rent a sum of money equal, if not superior, in amount to that which his land produced before the war commenced, and the necessity for those heavy taxes arose, but of less avail, since it will not now procure in exchange the same proportion of goods or services. The difference, or what he loses, is what he *pays* to the state for the protection of his person and preservation of that property. As the taxes undergo reduction, the paper money which he receives for his rents will become in proportion more effective in purchases; and when the debt is reduced very low, or the

taxes are brought down to a level with those of other countries, or of this in earlier times, his rents will resume their ancient value, and paper money will be at par with gold.

102.

But suppose he wishes to sell or buy land at any period of the reduction of the taxes, how is he affected then by the difference in the value of money?

Precisely as he ought to be. Whether he sells or buys land, the money given in exchange for it will exhibit a greater or less difference in comparison with gold, as land at that time happens to be burthened with a greater or less weight of taxation.

103.

Is what you have said equally applicable to the fundholder?

Yes:—He receives his income, or sells, or buys, in money of more or less value, according to the degree of taxation imposed on the country; he bears, therefore, his proportion of loss on precisely the same equitable principle as the landowner.

104.

Are there any other classes which would be affected by the change?

Every man whose income exceeds that of the *poorest* person performing the same services, or producing the same goods as himself, if such services and goods are of equal value with his. The lowest

remunerative price would be found by unlimited competition, and all that was spent beyond, inasmuch as it would prove that the party spending it had, or ought to have, more wealth than his rival, would place him in the same predicament as the landlord and fundholder.

105.

What would be the effect on absentees?

It would deprive them of all that extra gain which they now derive from the comparatively higher prices of England. Their incomes, to be received abroad, must be shorn of that excess which our taxation adds to them here. If that excess was as 6*l.* to 4*l.*, they would find their rents and pensions fall 33 per cent. in value before they could realize and spend them in a foreign country.

106.

In fact, then, it would cause the taxes to be paid by all the rich, in proportion to their wealth or expenditure, and would let the lowest grade of the industrious classes go free?

Exactly so.

107.

The miser, however, would escape?

No. His income, whatever it be derived from, would lose its value equally with that of the landholder and fundholder: and if he did not spend it himself, he would employ it in loans to others who would spend it for him, therefore the country does

not suffer from his parsimony ; neither does he gain by it, for if he had spent the money himself, he would have had an equivalent in exchange.*

108.

What objections can there be to such a system ?

I know of none ; yet I have little expectation that parliament will adopt the measure here suggested. Principle and precedent may be in its favour ; a strong infatuation can resist both. The present anomalous system will, in all likelihood, be persevered in for some time longer. We have not yet had reforms enough. Changes of still greater

* “ From taxes on expenditure a miser may escape ; he may have an income of 10,000*l.* per annum, and expend only 300*l.* : but from taxes on profits, whether direct or indirect, he cannot escape : he will contribute to them either by giving up *a part*, or *the value of a part* of his *produce* ; or, by the *advanced prices of the necessaries* essential to production, he will be unable to continue to accumulate at the same rate. He may, indeed, have an income of the same value, but he will not have the same *command of labour*, nor of an equal quantity of materials on which such labour can be exercised.”—*Ricardo's Pol. Econ.* p. 184.

If Mr. Ricardo lays down a principle of which he did not foresee the present application, I am still justified in availing myself of it, since I employ it in the same sense, and only vindicate its truth by showing that it had a more extensive range than its author suspected. In justice to Mr. Ricardo's *opinions*, I must add, that he did not conceive it *possible* that taxes could be charged on commodities to any great degree, though he advocated the *principle*. He thought, and truly, that the check of a metallic currency would at all times keep down prices pretty nearly to their untaxed level.

importance are at the door pressing for admission, and the discontented minds of the people, naturally and reasonably discontented, will prepare them to give all changes willing support. The *high-pressure* power will be continued to work out some good results, which cannot be obtained from sheer public virtue; and after that, if an *explosion* has not taken place in the mean time, we shall, perhaps, begin to see the advantage of employing, as an instrument of taxation, an engine of safer construction.

VI.

ERRORS OF OUR PRESENT SYSTEM.

109.

What system of taxation are we now pursuing?

Of the three modes of taxation, the second is professedly in action at this time—that which takes taxes out of prices; but observe, we had been obliged to abandon this in 1797, because it was found impossible to carry it any further with the consent of the nation.

110.

What amount of debt had we then to contend with, when it could be endured no longer?

About 373 millions.

111.

What was the price of corn at that time?

In 1797, the average of England and Wales was 53s. 1d. For ten years, ending in 1797, the average was 54s. per quarter.

112.

On the failure of this second plan, what ensued?

The third mode of taxation was adopted. Taxes were thenceforth added to prices by means of paper money made a legal tender; and under this

new system, the debt was raised to more than double its former amount, without prejudice to the interests of the industrious classes.

113.

How long was this system acted upon?

For twenty years.

114.

What amount of debt had we then to contend with?

In 1816, it had reached 804 millions; in 1817, 848 millions.

115.

What was the price of corn then?

In 1817, 94*s.* 9*d.* per quarter. For the ten years ending in 1817, the average was 91*s.* 10*d.*

116.

When was this third mode of taxation abandoned?

In 1819, by the passing of Sir Robert Peel's Bill, which professedly restored the old relation of value between paper and the precious metals.

117.

How did it produce that effect?

By compelling the Bank, from that time, to take up all its notes in gold at 3*l.* 17*s.* 10½*d.* per oz.

118.

What is meant by gold being 3*l.* 17*s.* 10½*d.* per ounce?

It is the supposed relation which gold naturally bears to silver: 15 oz. of silver, at 5*s.* 2*d.* per oz.

would amount to 3*l.* 17*s.* 6*d.* We regulate our coinage by the supposition that silver is to gold as 15 $\frac{2859}{13840}$ to 1, and that its value is 5*s.* 2*d.* per oz. : but its mercantile value is only 4*s.* 11*d.*

119.

When therefore bank notes are made payable in gold, at the rate of 3*l.* 17*s.* 10½*d.* per oz., it is only another mode of saying they are of the same value as gold ?

Precisely so.

120.

And when that is the case, the prices of all goods and services must be reduced in their value to the precious metals, which is their natural value, independent of taxation ?

That is the inevitable result. From the time Peel's Bill was passed, there has been a gradual declension of the money price of all things, confirming this statement.

121.

So that now taxes are no longer added to prices ?

They are not, except in a few cases, and to a very inadequate degree.

122.

What is the amount of debt now ?

On the 5th January 1833, it was 781 millions for Great Britain and Ireland. Deducting the latter, for the better comparison with the year 1797, it was for Great Britain, 748 millions.

123.

And what was the price of corn then?

The average of the year 1832 was 58s. 8d. per quarter. The average of ten years, ending with 1832, 61s. 8½d. That of the present year seems not likely to exceed 44s. The present week's average (Oct. 24th 1834) is 41s. 1d.

124.

It appears, then, that the interest of a debt of 373 millions could not be tolerated in 1797, when it was payable by taxation taken out of prices; but that in 1832, when of double the amount, it is exacted from the industrious classes by the same intolerable means of taxation?

That is the fact. No fraud may have been intended, but a more grievous wrong was never inflicted upon any people.

“ The taxed inhabitants repine, complain ;
Taxed, till the brow of labour sweats in vain.”

125.

And why was this done?

To redeem a fancied pledge, supposed to have been given by a former parliament, that government would restore what they call the standard of value, within half a year after signing the preliminaries of peace.

126.

But they did not do this?

No: nor did they adhere to the recommendation

of a committee, that they should restore the former currency within two years after the termination of the war.

127.

The pledge and the recommendation were of course alike subject to revision and correction by another parliament. Did any one call on government for the redemption of the pledge, or complain of injury from the altered terms proposed by the committee?

No one : though many protested against the alteration.

128.

It appears then that we have now the taxation of one system, with the currency of another?

Yes, the taxation of the third, with the currency of the second. That is the great practical absurdity.

129.

Suppose the currency had not been altered, what would have been the result?

The government, by the superabundance of proceeds from the taxes, then no longer needed for the exigencies of war, would have been able by this time to pay off or redeem a great part of the national debt. Since the peace, which has been of almost as long duration as the war, we should probably have had the debt reduced one half, and that by means which would have added to the wealth

and happiness of the people: whereas, even the little which has been done towards its reduction, has increased the distress instead of relieving it.

130.

What chance is there of any effectual reduction of the debt in the next twenty years?

Little or none. The people, under this high-pressure system, have been clamorous for taking off taxes, that they may be able to live with lower prices; the minister has been forced to comply with these demands. Prices are falling, in order to meet diminished resources; and the debt, which was previously one of enormous amount, is, in fact, increased by the means taken to relieve the tax-paying part of the community.

131.

How much is the debt increased?

The price of the quarter of corn, on the average of ten years ending 1817, was 9*l*s. 10*d*. It does not now sell for half that sum. Accordingly, it will take twice as much corn to redeem or pay off the debt now, as it would in 1817; and if twice as much corn, which is the standard of value, then twice as much gold or silver, or other commodity.

132.

The debt then of eight hundred millions, to speak in round numbers, is in effect made a debt of sixteen hundred millions?

It is actually doubled.

133.

Are ministers aware of this?

Yes: but with Spartan virtue, worthy of a better cause, they persist in their course, because they erroneously believe it to be just and proper to restore what they call the old standard of value.

134.

But they should first restore the old standard of taxation?

If that had been done, the standard of value would have returned to its former level of its own accord; or, to speak correctly, prices would now have been almost at par with the measure of value.

135.

Did Mr. Pitt appear to understand the true principle of money when he proposed the Bank Restriction Act?

It is doubtful; but that genius which he possessed would have led him, in all probability, to a correct appreciation of it, had he lived to see the end of the war. He had only to apply the principle recognised in the sinking fund, and provide, that as in *forty-five* years, if not sooner, the debt should be extinguished, so in *that time* paper money and gold should be at par. Had this been the provision of Sir Robert Peel's Bill, justice would have been satisfied, and no injury could have been done to any class of society.

VII.

THEORY OF THE PRICE OF CORN.

136.

Are there any means of ascertaining what would have been the present price of corn, on the average, if, with our present taxation, the proper system of currency had been preserved?

Yes, a very fair means. The labour and skill employed in bringing to England from its native mines the quantity of silver or gold contained in 33s. 6d., is supposed to be equivalent to the labour and skill employed in producing and bringing to market from the soil of England one quarter of the finest wheat, because it is found to be the lowest price of a quarter of the finest wheat in this country, taking the average of a number of years under the lowest amount of taxation, and because it is also found to be the price of the finest wheat in the Continental markets, taking them one with another, for a series of years.

To this natural price of wheat must be added that degree of *artificial* price which is called for by the taxation to which the English farmer is subject. Supposing that taxation to be estimated by the amount, for the time being, of the national debt, it appears, from the price which has been paid for corn since the commencement of the debt more

than a century ago, that 1*d.* per quarter for each million of debt is required to be added to the natural price, in order to give the English farmer as fair a remuneration *with* taxation as 33*s.* 6*d.* is *without*. The following statement will show that this addition is not too large an allowance:

At the Revolution in 1689, the debt was below a million; viz. 664,263*l.*

In 1697, it amounted to . . .	£ 21,515,742.
— 1701, it was reduced to . .	16,394,701.
— 1715, it was increased by war to	53,681,076.
— 1739, it was reduced by peace to	46,954,623.
— 1748, it was raised by war to .	78,293,313.
— 1764, it was raised by war to .	139,516,807.

From 1689 to 1764, the price of the finest wheat should have risen from 33*s.* 6*d.* to 45*s.* 2*d.* per quarter, to keep pace with the debt. According to the audit books of Eton College, 33*s.* 10*d.* was paid in 1688-9, and 44*s.* 9*d.* in 1763-4.

But these prices, you will say, may have been accidentally coincident.

Let us take then the average of each period of the debt, and the mean of all those averages. This gives for the whole period of seventy-six years, from 1689 to 1764, a price of 37*s.* 6*d.* per quarter, and the average price for the same term paid by Eton College was 37*s.* 9*d.* per quarter.

In 1775, the debt was reduced to . . .	£129,146,322.
— 1784, was raised by the American war to	249,851,628.
— 1793, was reduced to	239,350,148.

This last sum required the price of 53*s.* 6*d.* per quarter, and the price paid by the college was 54*s.* 4*d.* for 1792-3. Taking the average of each of these periods, and the mean of the three sums, the price ought to have been for the twenty-nine years, from 1765 to 1793, 49*s.* 4*d.*; and the price paid on the average of the whole term by the college was 49*s.* 5*d.*

During the late war, the debt rapidly increased, especially after 1797, and the price of corn rose with it, at one time higher than its just proportion, owing to our obstructed intercourse with the continent; but in the long-run the debt overtook it, so that it did not finally exceed its proper limits. The debt was highest in 1816, when 864,822,540*l.* required the price of 105*s.* 6*d.* per quarter, and the price paid by the college in the two years following was 107*s.* Taking the average of every year of the debt, from 1794 to 1820, in which latter year it was 843,388,804*l.*, the price required for these twenty-seven years was 87*s.* per quarter, and the price paid by the college was 87*s.* 10*d.* For a part of this time, viz. twelve years, from 1809, when the debt was 650,013,362*l.*, to 1820, when it was 843,388,804*l.*, the average price required was 97*s.* 8*d.*, and the average price paid was 98*s.* 9*d.* To sum up the whole briefly, the comparative result stands thus:—

		<i>Per Quarter.</i>				<i>Per Quarter.</i>	
PRICE REQUIRED, IN		s.	d.	PRICE PAID, IN		s.	d.
1689	. . .	33	6	1688-9	. . .	33	10
1764	. . .	45	2	1763-4	. . .	44	9
1793	. . .	53	6	1792-3	. . .	54	4
1816	. . .	105	6	1817-8	. . .	107	0
AVERAGE REQUIRED, FOR				AVERAGE PAID, FOR			
76 years, 1689 to 1764,	37	6		76 years, 1689 to 1764,	37	9	
29 years, 1765—1793,	49	4		29 years, 1765—1793,	49	5	
27 years, 1794—1820,	87	0		27 years, 1794—1820,	87	10	
12 years, 1809—1820,	97	8		12 years, 1809—1820,	98	9	

137.

What inference do you draw from this statement?

Seeing that for the long term of one hundred and thirty years, from the very commencement of the national debt to the year 1820, the price of corn had uniformly risen with the amount of the debt, in the ratio of *one penny per quarter for each million of debt*, a result which could not have been accidental, we may easily calculate what ought to be the price of the finest wheat at the present time. In 1833, the debt for Great Britain (without Ireland) was seven hundred and forty-eight millions; this would require $62s. 4d. + 33s. 6d. = 95s. 10d.$ for the finest wheat, to pay the farmer as well as he was paid every year, taking one year with another, for more than a century preceding 1820. Deducting one-ninth to bring it down to the average rate of

wheat for England and Wales, agreeably to the rule laid down by Dr. Adam Smith, the present price should be 85s. 4d.; but the actual difference between the Eton returns and those of England and Wales, for the seven years ending 1826, is one seventh (viz. 3l. 9s. 5d. to 2l. 19s.), which would reduce the average rate to 82s. 2d. Now the present week's average happens to be exactly half this, viz. 41s. 1d.; the farmer therefore is losing cent. per cent., even on the lowest estimate, in comparison with that price which he is fairly entitled to receive.

138.

I cannot gainsay this inference, for it appears to me that unless any one is prepared to prove that the agriculturist, in *every year* for one hundred and thirty years preceding the passing of Peel's bill, was too well paid, he must admit that since that time he is not sufficiently remunerated. But let me ask how it is, that the price of corn is lower now than it was before the late war commenced?

First: it is the effect of taxation of the second kind, to reduce in proportion the means of payment for every other article of expenditure (see No. 78.) Accordingly, as the means of all the productive classes are reduced in a very much greater degree by the taxes now levied on them than they were by those which they had to bear prior to the late war, so the different items of their disbursement

can have only a much less sum of money appropriated to them now than at that former period. Corn bears the chief brunt of this difference, for its price cannot long be continued higher than comports with the people's ability to pay. It will probably fall much lower than it is at present, before that degree of easiness of living is attained, which, sooner or later, the productive classes must experience. Secondly: we have lower prices for corn now than before the war, because we have adopted the strict mercantile measure of value, which will not allow of any taxes being added to price (see No. 120): whereas, before the year 1816, both gold and silver were legal tenders, and by means of an impaired currency, and an act prohibiting the exportation of coin, some degree of taxation was permitted to be added. Thirdly: corn is lower now than formerly, because our farmers are exposed to competition with corn the cheaper growth of Ireland and Canada, where there are no poor laws: to which is owing, probably, the recent difference of one-seventh instead of one-ninth between the prices in Windsor market and those of England and Wales (see No. 137).

139.

Have you any evidence to show that our currency did actually bear the addition of taxation to natural price for the greater part of the last century, as your statement implies it must have done?

Yes: in the following resolutions moved by Lord Bexley, and affirmed by the House of Commons, May 15th, 1811:—

“ That at various periods, as well before as since the said restriction [of the Bank of England] the exchanges between Great Britain and several other countries have been unfavourable to Great Britain; and that during such periods, the prices of gold and silver bullion, especially of such gold bullion as could be legally exported, have *frequently risen above the Mint price*: and the coinage of money at the Mint has been either *wholly suspended or greatly diminished in amount*: and that such circumstances have usually occurred when expensive naval and military operations have been carried on abroad; and in times of public danger and alarm; or when large importations of grain from foreign parts have taken place.

“ That such unfavourable exchanges, and rise in the price of bullion, occurred to a greater or less degree *during the wars* carried on by *King William the Third and Queen Anne*; and also *during part of the Seven Years' war*, and of *the American war*; and *during the war* and scarcity of grain in 1795 and 1796, when the difficulty of procuring cash or bullion increased to such a degree, that on the 25th of February 1797, the Bank of England was restrained from making payments in cash by an order of council, confirmed and continued to the present

time by divers acts of parliament: and the exchanges became *still more unfavourable*, and the *price of bullion higher*, during the scarcity which prevailed for *two years previous to the peace of Amiens*.*

“That during the period of nearly *seventy-eight years*, ending with the 1st of January 1796, and previous to the aforesaid restriction, of which period accounts are before the House, the price of standard gold in bars has been at or under the Mint price twenty-eight years and five months, and *above the said Mint price forty-eight years* and eleven months; and that the price of foreign gold coin has been at or under 3*l.* 18*s.* per ounce thirty-six years and seven months, and *above the said price thirty-nine years* and three months; and that during the remaining intervals no prices are stated. And that during the same period of *seventy-eight years*, the price of standard silver appears to have been *at or*

* I scarcely need add, that these higher prices of bullion are to be taken as the effect of an enhanced price of all commodities. “It is through the medium of the enhanced price of commodities that I conceive the ill effect on the Mint price of gold is brought about.” “When the total circulating medium of a country, whether consisting of gold or of paper, or of both, is rendered excessive—when it has thus lifted up the gold price of articles above the point at which they stand in adjacent countries, the gold is obliged by the operation of the exchange to transport itself to those other parts.”—*Thornton on Paper Credit*, 1802, pp. 193. 311.

under the Mint price three years and two months only."

Evidence to the same effect may also be found in works published at the time. Ten years after the commencement of the debt, when it amounted to twenty-one millions, Dr. Davenant describes the entire trade and taxation of the country as having been carried on by a credit currency.—“Of late when the coin grew so corrupted, the gold and silver did, as it were, but minister in the market, while all great dealings were transacted by tallies, bank bills, and goldsmith’s notes. Paper credit did not only supply the place of running cash, but greatly multiplied the kingdom’s stock. For tallies and bank bills did to many uses serve as well, and to some better, than gold and silver ; and this artificial wealth, which necessity had introduced, did make us less feel the want of that real treasure the war, and our losses at sea, had drawn out of the nation.” “In this kind of currency,” he adds, “the landlord received his rent duly, the farmer sold the product of his land at a high rate ; wool, tin, lead, and leather bore a great price, and which was of great consequence, the manufactures of the kingdom went on cheerfully.” *

Postlethwayte describes the effect when the debt ranged from seventy-two to seventy-eight millions,

* Discourses on the Public Revenues, Part ii. 1698, pp. 161. 166.

in "Great Britain's True System," published in 1757:—

"Before the commencement of the present war, there were glaring proofs of the excessive rise of the price of our products and manufactures. The one was the excess of the price of the sugars beyond that of other nations, quality for quality. This was caused by the excessive price of the commodities we exported in barter for them, so much beyond the price of those sent by France and other nations to their colonies. Though at the particular time we are speaking of, the price of sugars was dearer at London from forty to seventy-five per cent., yet the case in general is, that all our plantation commodities come considerably dearer to us, at all times, than those of the French and other nations do to them who have plantations in America; because the commodities of their mother countries are sent proportionally cheaper to their respective colonies and plantations. Does not this give occasion to our plantation subjects to carry on an illicit trade that may, in the end, prove destructive of that intercourse of commerce which ought inviolably to subsist between Great Britain and her colonies? May not this prove the insensible and invincible means of rendering our colonies indifferent to the British dominions, when they can carry on their trade with France to so much greater advantage than they can with their parent country? Is not this making

Great Britain an oppressor, instead of that tender nurse and protectress that she ought to be of her infant colonies and plantations? However beneficial some may imagine that commercial communication has been to this nation, that is carried on, in time of peace, between our northern colonies and the French sugar islands, it appears to be a dangerous indulgence, on the consideration only of the greater cheapness of the commodities of Old France than those of Old England; for this is an irresistible temptation to our colonies, under other specious pretensions, to take, in barter for their lumber, &c. what is very detrimental to the trade of their mother kingdom: and till their mother kingdom shall be capable of bartering with her colonies much cheaper than she can now, by reason of those tax-incumbrances on our whole trade, our colonies will begin to think the yoke of the parent too heavy to be borne by her children; and especially so, if we advance in the increase, instead of the diminution of our public debts and taxes.

“Here then opens to our view a very melancholy scene of danger, which has perhaps been little thought of, if at all; but certainly this merits the most serious and deliberate consideration of the great representative power of the nation, if our American commerce shall be deemed worth *preservation*.” Unhappily this warning was not regarded, and what then was *prophecy* soon became *fact*.

It is not however yet too late for us to profit by these wise observations in regard to those colonial possessions which remain to us. By means of paper money, which will restore the metallic value of our commodities when they are sent abroad, we may enable the West Indies to become once more a valuable possession of this country, and on this account our plan deserves the most serious attention of the legislature.

Dr. Adam Smith, writing in 1776, when the debt was 130 millions, observes, "In every country the greater part of the current coin is almost always more or less worn or degenerated from its standard. In Great Britain it was, before the late reformation [in 1774,] a good deal so, the gold being more than 2 per cent., and the silver being more than 8 per cent. below its standard weight." Again: "The Bank of England was, for many years together, obliged to coin gold to the extent of between 800,000*l.* and 1,000,000*l.* a-year. For this great coinage the Bank (in consequence of the worn and degraded state into which the gold coin had fallen a few years ago) was frequently obliged to purchase bullion at the high price of 4*l.* an ounce, which it soon after issued at 3*l.* 17*s.* 10½*d.* an ounce, losing in this manner between 2½ and 3 per cent. upon the coinage of so very large a sum." *

Dr. Copleston in 1819, when the debt was 845

* Wealth of Nations, vol. ii. p. 46.

millions, remarks : "The change of value which Dr. Johnson observed in 1773, has been *advancing regularly ever since*, and during the last *twenty* years with *increased* velocity. This is a fact placed beyond dispute." *

* Letter to Sir R. Peel, 1819, p. 17.

VIII.

REDUCTION OF RENTS, AND RETRENCHMENT.

140.

You differ then from those who think that the distress of the people is passing away, and that after so long a time it would be better not to disturb the existing order of things, even admitting we were in error at its commencement?

I am decidedly of a contrary opinion. I do not say that all classes of the community are suffering in that intense degree in which they were made to suffer for some years after the calamity was first brought on. With regard to several, the most bitter portion of the cup has been tasted; for it is impossible for the folly or tyranny of man to work endless ruin to his species. By getting rid of first one tax, then another, some relief has come to the industrious; and by the same means more will be obtained, for the minister must reduce the taxes as he increases the value of money. This is one way of redressing the grievance:—the reduction of the price of corn is another. By both, the productive classes will emerge in time from their oppressed state.

141.

Do you include the farmer?

He will be the last to get relief, and in the mean time his capital will be all wasted away in fruitless endeavours to bear up against his losses. But unless every landowner takes the management of his estates into his own hands, even the farmer must be enabled to live some time or other by his occupation, or he will emigrate to a distant land; and his children will take to other employments to avoid the ruin which otherwise awaits them.

142.

What hope has he of maintaining his position by a reduction of rent?

I am sorry to say, none. Assuming the calculation of Mr. George Parker, of Street-thorpe, near Doncaster, (see his Letter to Lord Milton, p. 28,) "the average rent of cultivated land throughout the kingdom is about 20s. per acre, and its average produce, when in wheat, may be estimated at about 18 bushels per acre.* Applying then the two prices of 7s. and 8s. per bushel to such produce of 18 bushels per acre, it is apparent," he adds, "that the increase of 1s. per bushel (that is, from the 7s. to the 8s.) would yield to the corn grower, upon each acre of wheat, the increased

* This will be thought by some too low an estimate, but whatever addition may be made to it strengthens the writer's argument.

proceeds of 18s., a sum amounting to nine-tenths (or eighteen parts out of twenty) of the whole rent of such land; and as there is always much relation in price between wheat and the other species of grain, a proportionable sum (a sum certainly below, though perhaps not very far below,) would be derivable from the other cultivated land. If such would be the effect," he continues, "of the increased price of 1s. per bushel, it is obvious the reverse must follow from the similar decrease of 1s. per bushel; and that whenever the price of wheat is 1s. per bushel below the cost of its production, all such land, whose rent or value shall be below 18s. per acre, would yield no rent at all to the landlord, and consequently would be thrown out of cultivation. And it is equally obvious that the rents of land above that value must be relatively reduced: so that it seems to establish the position, that no reduction of rent, short of approaching to its annihilation, can compensate the grower for any material diminution of price." Mr. Parker states as his reason for taking these two prices:—"Sad experience has shown us that everything below 7s. is ruinous to the grower. Assuming then 7s. per bushel as the lowest possible sum at which wheat can be grown, such price barely reimbursing the cost of producing it, 8s. will hardly be maintained to be dear, though above 8s. might approach that character." (page 21.) His language and estimate show

the moderation of his views. If he had taken into account the rise of prices necessary for all other classes of producers to live as well as they ought, and the effect of a rise in the price of corn on these commodities, and its retro-active effect again on the corn grower, he would not have limited his notion of dearness to what is above 8s. the bushel. But adopting his low estimate of 7s. as ruinous to the corn grower, the latter could not now be placed in a situation of solvency, though 36s. per acre were the amount of his rental, and the whole of it were taken off, for wheat is at present only 5s. per bushel, and the difference amounts to 36s. Allowing, therefore, every possible latitude to the statement which others may make as to the quantity of wheat per acre, or the rent of land, taken on the average, the inference is in every respect undeniable, that *not all the rent remitted of all the land* could produce a difference equal to the rise of 3s. per bushel; whereas, according to the estimate drawn from the amount of the national debt, the farmer ought now to be receiving an increase of 5s. per bushel, or he is worse off than he has ever been for any length of time since the debt came into existence.

143.

If this be true, the landed interest is irrecoverably ruined?

Either the landed interest will be annihilated or

the national debt will be annihilated, or we must retrace our steps, and as long as we retain the taxation of the third system, adopt and continue the third system of currency, which forms so essential a part of it that the taxation is ineffective without.

144.

I am afraid there are some who would rather throw the national debt overboard?

If they did, every thing else would follow :—even the vessel of the state would soon be wrecked. So great a violation of national faith, so wilful an act of national bankruptcy, so gross a robbery of one part of the community by another, would put an end to our character for integrity and honour as a people, would destroy our long-famed constitution, and bring down upon us those just judgments which in this world ever attend national offences ; because it is only in this world that the crimes of a nation can be punished.

“ It is quite absurd (says Mr. M'Culloch,) to pretend, as is sometimes done, that any interference with funded property would affect only 280,000 individuals out of a population of 25,000,000. Any attack upon the dividends would be the destruction, not merely of the interests of those to whom dividend-warrants are issued, but of *all* who depend upon them : it would destroy our whole system of insurance and banking, and overspread the country with bankruptcy and ruin. Not only therefore is

every proposal for an invasion of the property of the fundholders bottomed on injustice and robbery, but it would, if acted on, be little less ruinous to the community than to the peculiar class intended to be plundered." *

145.

But the funded interest is not so strong in parliament as the agricultural?

Possibly not, but it is stronger out of doors. You must add to the 280,000 families interested in the great debt of the nation, 475,000 persons who have money in the savings banks, amounting to 15,715,000*l.*;† —and you must deduct from the strength of the landed interest all the occupiers of lands who are not owners, most of whom, when the old laws are thus dispensed with, may be inclined to retain possession of their holdings, in order to reimburse themselves, or some of their connexions and friends, the loss they will have sustained by the abolition of the debt.

146.

What is the reason that bread is so dear, comparatively with corn? It has frequently been noticed in the London papers, that with corn as low as it was in 1792, we have bread 50 per cent. higher than it was then?

The editor of the "Times" gave a proper an-

* (*Commercial Dict.* article, *Funds.*)

† See Tidd Pratt's account of Savings Banks, just published.

swer to that remark, by observing, that the bakers are too numerous a body of men to carry on a monopoly; that if their gains were considerable, others would soon compete with them, and bring down their profits; that few make large fortunes; and that on the whole they are not in more comfortable circumstances than other tradesmen of their class: whence it was fair to conclude that increased taxes, higher rents, higher wages, and other outgoings of greater amount than they had formerly been required to pay, called for this difference of price. The answer was undoubtedly correct.

147.

But how is it that the farmer is not for the same reasons allowed to have the same privilege of charging 50 per cent. more than sufficed in 1792; which would bring up the price of corn very nearly to what you say it ought to be?

Because it is conceived that the difference to him must be made up by his landlord, and that the price of corn ought to fall to the continental level.

148.

Is it not thought that the millers obtain the greater part of the difference between the price of corn and bread?

So it has been surmised: but the contract prices paid for a number of years past at Greenwich Hospital contradict this opinion, and prove that the

millers have only a moderate share of the increase. From the statements of these contract prices, published by the Board of Trade, it appears, that—

	In 1790.			In 1812.			In 1832.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
Flour was per sack	2	3	4	5	7	5	2	13	1
Butter, per lb.	0	0	6½	0	1	3½	0	0	8¾
Cheese, per lb.	0	0	4	0	0	8½	0	0	3¼
Peas, per bushel	0	7	6	0	12	8½	0	8	9
Oatmeal, per bushel	0	5	3	0	13	3	0	17	0*
Malt, per quarter	1	15	6	4	18	6	2	18	8
Hops, per cwt.	6	13	9	9	17	0	6	15	0
Beer, per barrel	0	8	7	1	0	9¼	0	13	1¾
Carpenters, per day	0	2	8	0	5	6	0	5	5
Bricklayers, per day	0	2	4	0	5	5	0	4	8
Masons, per day	0	2	10	0	5	9	0	5	3
Plumbers, per day	0	3	3	0	5	9	0	5	6
Candles, per doz. lbs.	0	7	9	0	12	6	0	5	2½
Shoes, per pair	0	3	11½	0	4	11	0	3	4½
Coals, per chaldron	1	14	4¼	2	16	1	1	4	3
Mops, each	0	1	2	0	1	5	0	1	1½
Stockings, per pair	0	1	6	0	2	6	0	1	8
Hats, each	0	2	6	0	3	0	0	3	0

(Average price of corn for England and Wales.)

Wheat, per quarter | 2 13 2 | 6 5 5 | 2 18 8

By this table we see that the price of corn in 1832 was 10 per cent. higher than in 1790; while that of flour was 25 per cent.; the miller, therefore, gains 15 per cent. Now if the reasons adduced are sufficient to justify the advance of 50 per cent. on bread, they must be of equal avail in the case of flour to the extent of 25 per cent. Butter has ex-

* Per cwt.

perienced an equal advance of 25 per cent., and there is nothing of monopoly in that article. The most striking fact of the whole is, the great increase which has taken place in the wages of carpenters, bricklayers, masons, and plumbers, which are cent. per cent. higher than they were in 1790. Seeing how nearly they equal those of 1812, and recollecting the extraordinary efforts which the trades' unions have lately made to increase their wages universally, we may be assured that, as far as handicraftsmen (I do not say manufacturers,) are concerned, taxation has done its worst. But what a prospect does this hold out to the farmer! All his outgoings for implements of husbandry, repairs, and every species of service, of which he requires so much from handicraftsmen, are to be charged as high very nearly as at the dearest period of the war, and his corn is not to sell for half that price; while, to cut off all hope of relief, the whole of his rent, if it were all reduced, would not return him so much as two-fifths of his annual loss! His case altogether is one of such unparalleled hardship as cannot fail, I should conceive, to arrest the immediate attention of the legislature.

149.

You seem to forget that there is one remedy in store, or I might rather say in operation — that of retrenchment.

I am sorry to say that as a means of relief it is

perfectly fallacious. Because retrenchment is a good thing in the case of private persons who have outrun their income, it is supposed to be good in the case of the public :—but the two instances do not tally.

150.

Wherein do they differ ?—A man whose income is 1000*l.* a-year, having been living for some time at the rate of 1500*l.* a-year finds it necessary to retrench. He reduces his expenditure to 500*l.* a-year, pays the difference to his creditors, and in a certain period is free from all his debts. The nation has spent, for many years, more than it can afford,—it retrenches,—and with the surplus of its income pays off its debt.

I wish this were true ; but where is the surplus you speak of ? The private man's income after he began to retrench remained the same as before, because he was one among many, all of whom supported him as usual, and when he had reduced his expenditure to half its former amount, he had the remaining half left to pay his debts with. Where is our remaining half ? and whence is it to come ? We are not as one among many. The melancholy fact stares us in the face, that as soon as we begin to retrench our income begins to decline — because it is ourselves that supply it ; so that all we can do is barely to bring our diminished expenditure within our diminished income. Under such circumstances

how are we ever to be able to pay off our debt? — The two cases are, as you see, essentially different.

151.

Will there not be a time when the wealth of the nation may be expected to improve so much that this surplus, which I perceive we cannot do without, will be realized?

Never. If it were produced, it must be created by the voluntary act of the productive classes, who to enjoy the pleasure of paying off the debt of the nation will be willing to bear that load of taxation which they have lately told the minister, very unequivocally, they cannot sustain, and which in justice they ought not to be required to bear. Instead of increasing the produce of the taxes they will demand even further reductions, — so that we must have more retrenchment still, and after all, be farther off than ever from possessing the means of paying our creditors.

152.

Who receives the benefit of that saving which is now effected by retrenchment?—If the state does not take so much money from the people as it formerly did, they must have it in their own possession.

That does not follow. When government turns off a number of clerks and labourers, the state gets rid of them, but the country does not. They swell the surplus numbers of competitors for employment

in some other place; they are claimants on the public list, if not on that of the government. Nothing is saved to the country by such retrenchments. What is earned by one set of men in one department, must, when they are expelled thence, be earned by them in another, to the expulsion of some less active from the hive, or they must be supported without work. In either case the country gains no relief;—what is saved in taxes is spent in poor-rates or other outgoings.

153.

Are you then opposed to retrenchment?

Certainly not, when it is, what it professes to be, a saving of the public money; but this is no such thing. It is immaterial to me under what name my property is taken from me, if I am to be deprived of it.

154.

But you will not pretend that all the amount remitted in taxation has gone in poor-rates? This is rather too much to be asserted with any hope of credence.

I do not say this; but I affirm that with all our retrenchment there is less wealth among the productive classes now than there was before it commenced,—and that if the object of it be to leave more money in the pockets of the people, it has grievously missed the mark. The government has less prospect at present, than it ever yet had, of

a superfluity from the taxes wherewith to pay the debt.

155.

What course would you recommend ?

Our first concern should be to *restore* and *keep up* our income—*then to economise*, and with the excess pay some part of what we owe. This will reduce the interest and leave still more to be applied next year to the payment of the principal. Proceeding on this plan we might soon bring our affairs into better condition. But what have we done? Reduced our *income!* and *not our debt!*—starved the poor—beggared the middle classes, and placed in imminent peril the property of the rich. In our eagerness to avert poverty we have destroyed the sources of wealth. “The labour of the poor constitutes the wealth and splendour of the rich; and if it was unreasonable to muzzle the ox that trod out the corn, what name shall we give the measures that render it so difficult for the bulk of mankind to answer the great end of their own life, and that of raising up families to stand in their stead, when they are removed, as all soon must be, to make way for succeeding generations of the human species.” *

Cicero tells a pleasant story of the “old man Cato, who when he was asked by some one, what

* Postlethwayte’s Britain’s Commercial Interest, vol. i. p. 29.

would best conduce to the improvement of his private estate? answered, To feed well those who were upon it. What secondly?—To feed them to their hearts' content. What thirdly? — To clothe them well. What fourthly?—To plough (for corn to exchange for superfluities;)—and when he who asked him said, what think you of putting money out at interest? Cato then replied, “What think you of killing a man?”* He had no notion of starving the labourer, to lay up wealth, or of making money by the loan of money — which is our chief concern; for when this is suggested to him, he regards it as a proposal for taking away the life of a human being; and truly, with a metallic currency, such as Rome had then and we have now, it is not an exaggeration to say, that loans on interest have destroyed many a man's life. We are not likely to follow the advice of Cato in the management of our private estates; nor of a greater than Cato, who gave similar precepts of far more extensive application; but if we attended a little more to these injunctions with reference to the general estate of the nation, it would be well.

* Ex quo genere comparationis illud est Catonis senis; a quo cum quæreretur, quid maxime in re familiari expediret, respondit, Bene pascere. Quid secundum? Satis bene pascere. Quid tertium? Bene vestire. Quid quartum? Arare. Et cum ille, qui quæsierat, dixisset, Quid fœnerari? Tum Cato, Quid hominem, inquit, occidere?

Cic. de Off. l. ii. c. 25.

156.

You forget that the working people on the estate of a Roman were principally slaves, whom it would be his interest to preserve in the best condition as to their bodily health and strength?

And therefore I make the comparison of such an estate with this whole nation. Take it collectively as one property, and every argument which could be urged to induce a Roman to feed and clothe his dependants well, and to provide them even with superfluities, applies to us. He cannot work his land without their aid, neither can we. He cannot have the full benefit of their labour if they are not strong and hearty, neither can we. If for want of sufficient food and clothing they fall sick or become infirm, he has them to maintain without labour—so have we. He cannot get rid of that obligation without destroying them, nor can we. We may deprive of parish support those who are able to work, and will not,—this power the Roman had, this all law recognises, reason justifies, and religion approves: “if any will not work neither shall he eat.” But when men cannot get work, or when they cannot get so well paid for their work, as to obtain in return the means which will maintain them and their families in that degree of health and strength which is necessary for the efficient performance of the duties of their station,—no poor laws that we can make will ever relieve the *country* from the obligation of supplying their deficiencies.

157.

I am compelled to agree with you. But don't you think that we might persevere in the use of a metallic currency, now that we have restored it, by laying on a property and income tax instead of all other taxes?

You shall judge for yourself. That tax was thought oppressive enough at ten per cent., but at that rate it did not produce more than fourteen millions a-year; and we want more than three times that sum at the lowest estimate, leaving the debt untouched. This sum of fourteen millions was raised when corn was above 84s. per quarter, and all other property was high in proportion: to raise the same sum now when corn is 42s. per quarter, would require a tax of 20 per cent. Take an estimate of incomes, and it will be found that on the average, those of men in trade are lessened more than one-half—here again the tax, in order to produce an equal sum, must be of double the amount.—Do you think that all men are able and willing to submit to pay a tax of 20 per cent. out of their diminished resources?

158.

I doubt it. But would not prices advance under such a mode of taxation, so as to restore property and incomes to their former level?

Never, till the stream runs up to its source. The natural tendency of prices is to *decline* to the level

of the measure of value. Remit all the taxes of the productive classes, and prices would at once sink to that level; remit them in part, and prices will fall in part, but not in equal proportion. By every operation of this kind, property will decline in monetary value, incomes will decline, and though the less sum will command an equal quantity of commodities in the market when prices are adjusted to the altered value of money, the taxes to be raised will not pay the public creditor the better for all this. With the Currency Bill we entered on the road to ruin; Retrenchment has conducted us far along it; and a Property Tax will only hasten us to the end.

159.

Could we not at once pay off the debt, by each man making a sacrifice of a proportionate part of his property,—vesting it in commissioners, if he could not effect a sale himself?

It might be done, but at present prices it would take twice the property that each man would be required to part with if the Currency Bill had never been passed, or were now to be repealed.

IX.

PROPOSED PAPER MONEY.

160.

If neither the landed nor the funded interest is to be immolated for the safety of the country, there is no alternative, of course, but to restore the system we repudiated at the end of the war. Are there any circumstances connected with it which would admit of correction or improvement?

The notes issued by authority of Government should be distinguished from those of the Bank of England, in *appearance*, (since they will constitute a legal tender,) as well as differ from them in their *tenor*, for which the language of the latter half of an exchequer bill affords a good precedent:—

“ No.

£100.

By act 6th William IV, in part of £50,000,000 voted for the service of 1835.

This note is to be current and pass for One Hundred Pounds in any of the public revenues, aids, taxes, or supplies, or at the receipt of Exchequer at Westminster.—Dated at the Exchequer, the —— day of——1835.

£ ONE HUNDRED.

(Signed) _____”

The same form will serve equally well for notes of *one pound*, or any other amount. As to their *appearance*, it would be desirable that every note should contain a *large medallion portrait of the King*, engraved by a first-rate artist in his best manner. This would give it the character it should bear of Government money, and distinguish it from all kinds of commercial bills.

161.

By whom is the issue to be made?

By Government, from the Exchequer, or from an office established for the purpose; or otherwise, by Government through the medium of the Bank of England, in such amounts of each denomination of note as the Bank in its experience finds most convenient for the public service. When the Bank has countersigned these notes, they will then pay the dividends with them, or employ them in discharging other obligations of the state, receiving of course a reasonable compensation for the performance of this service.

162.

To what amount should the issue of Exchequer notes extend at first?

That is a matter for the determination of parliament;—*provided always*, that it never in any year exceeds the amount of taxes levied for that year. If the annual amount of the dividends and management of the public funds were to constitute the

amount of the issues for the first year, it would require 27 millions of government paper to effect it, supposing every note to be cancelled as it was brought in. Let this sum be issued, and the proceeds of the taxes, which the collectors would be continually bringing in, consisting of bank paper and gold, may then be employed to the same amount in paying off those exchequer bills which form the unfunded debt, which amounts to 27 millions: this would effect a saving of interest annually to the amount of 659,000*l*. The second operation might extend to the further issue of 11 millions on account of the army, navy, and civil list; in lieu of which, we should be enabled to draw from the proceeds of the taxes 11 millions more of bank notes and gold, adequate to the repayment of that sum borrowed from the Bank, by which a further saving would be made of interest to the annual amount of 330,000*l*. Thirdly, if the national debt were to be reduced to the extent of 12 millions, so as in the whole to embrace an issue of the 50 millions of annual taxation, this would pay off the 3½ per cents (1818), and effect a further saving of interest to the annual amount of 420,000*l*. By these operations, the national debt would be diminished 50 millions; and, in consequence, the proceeds of the taxes would leave a surplus of more than 1,400,000*l*. per annum, applicable to the reduction of taxes, without taking into account the further

surplus which the return of remunerative prices for goods and services of every kind would not fail to occasion. To assume that the clear annual surplus from this improvement would be five millions, would probably fall short of the actual amount. The application of these surplusages would in a very few years make a vast reduction in the amount of the debt, and even at the beginning speedily restore the prosperity of the nation.

163.

Is it necessary or desirable to proceed in the first year to so great an extent as 50 millions in the issue of Exchequer notes and the reduction of the debt?

As much should be done as possible for the relief of the industrious classes; but if the issue at first were only to the amount of ten, or even of five millions, it would prove a saving of interest on that sum, and, what is of more consequence, it would give a turn to the tide of things, soothing and encouraging to those who have hoped against hope so long, that they now despair.

164.

I perceive that the question of amount is interesting only to the Bank of England, for to the people at large it is immaterial whether the 50 millions to be issued by government consist altogether of Exchequer notes, or of five millions of the latter, and the rest, in as far as may be necessary, of Bank of England bills?

You must recollect, however, that in the latter case we shall have interest to pay. I am inclined to think it would be better on the whole to bring out the full sum in government paper, for we shall want a large supply of notes to fill up the void occasioned by the withdrawal of gold from circulation.

165.

Are there any other provisions necessary respecting this government paper ?

None : except that the Bank should give periodical notice of the price of gold in notes, to continue in force throughout the interval. By this means all men, and especially those engaged in foreign trade, will know at what rate the Bank may be expected for a certain time to give gold for notes, or notes for gold ; either being understood to be claimable at the price fixed. These notices should be published in the Gazette as often as they are given, from whence they would be transferred into every newspaper in the kingdom.

166.

Do you contemplate the abolition of our present gold *sovereigns*, and the use of gold only as ingots or bullion ?

By no means. Sovereigns should be bought and sold by the Bank at the price fixed in the periodical notice. Many a poor man may wish to make a profit of his little savings in gold, and he has as

much right to it as the richest has to a profit on his ingots.

167.

Would not that create two prices—a gold and a paper price?

There were not two prices during the war. The government one pound note would be the medium in which all payments to that amount would be made; and by the fractions of a pound, in gold, silver, or copper, inferior sums would be paid. But if a customer at any time offered a sovereign for any article which he wanted to purchase, the tradesman would know its value, and take it for what it was worth; or he would refer the owner to the Bank, or to some money-exchanger in the neighbourhood, who would give him the value of it, as he does now when a Dutch ducat or an old guinea is tendered.

168.

You have not noticed one advantage which would attend the issue of government paper money: viz. that it would restore to the King the exercise of his prerogative of making all the money, of which in the main he has been so long deprived?

This prerogative would be of no advantage if the Crown were compelled to issue no other than gold and silver coins, and these at the rate of their full

value as bullion, which some conceive to be right. All men may take bullion to the Mint to be coined. That the king had what is called a *prerogative* implies that he possessed a power concerning money which others had not; and this was the right of issuing tokens which should pass for a certain nominal value. This power was exercised in all its force when the money so made was created out of some worthless material, to which the crown could assign any value it pleased: such in perfection were the earliest of our exchequer bills, the *tallies*; such are the present exchequer bills, and our proposed notes: — but such also, in a degree, was the silver coinage of all our kings from Edward I. to George III., from 1300 to 1816; for, during that five hundred years the pound, by virtue of the king's prerogative, was reduced from 5400 grains, the Tower pound (containing 4995 of fine silver) to 1745 grains (containing 1614 of fine silver), rather less than the third of a pound; yet it was, and is, still called a *pound*. In France, we see the *livre*, originally a pound weight of silver, brought down to 70 grains of fine silver, value 10*d.* by virtue of the same prerogative.

169.

It appears, however, that the prerogative of coining a less sum, and calling it by the name of the greater, could not always sustain it at that higher nominal value?

No. It can never be sustained unless the crown continues to receive it in discharge of taxes for that value which was set upon it when it was issued, and then it will be sustained; but this was so far from being the practice of the kings of France, that in the course of four hundred years, (from 1283 to 1680) during which the coin was reduced in intrinsic value no less than one hundred and ninety-four times, yet was always issued for the same nominal amount,* there occur no less than twelve instances when the government absolutely refused to receive the deteriorated coin in payment of taxes at the same titular value at which it had been put into circulation. The loss to the people was enormous, being not less on each occasion, on the average, than 66 per cent. on all the money in circulation. We have had in the space of five hundred years the intrinsic value of our coin reduced ten times, with only three instances of a refusal to receive it at its precedent nominal value; one under Edward VI., in 1552; one under Elizabeth, in 1562; and the last in 1819; the first caused a loss of 75 per cent. to the people; the

* It is impossible to keep up the nominal value of *coin* much higher than its intrinsic value, without greater skill being exercised to prevent counterfeits than has yet been called into action. Accordingly, every fresh issue of coin of less intrinsic value was compelled to be reduced in nominal value, though its original name was still retained. What cannot be done with coin, is however possible with *paper money*.

second, of 33 per cent.; and that which we are now suffering under, taking our estimate from the price of corn, as we have shown before, is not less than 50 per cent. on all the money previously in circulation.

170.

But you will admit, that the prerogative of making money is still a valuable attribute of royalty, though the King's advisers have not at all times acted discreetly in the use they recommended to be made of it?

The right of giving a token of value received, which may be tendered for the same amount by a person paying taxes, belongs to the King alone, and no one else ought to exercise it, because the revenues for which it is received are the King's. In principle, however, it does not differ from the right which every man, of whatever rank, possesses of giving by anticipation a token of receipt for revenues due to himself, which may be tendered to his steward or agent in discharge of the claim; the only difference being that the latter could not be made a general legal tender.

171.

Is it consonant to the spirit of our constitution that the Crown should forego the right to give this token of receipt, and that it should be vested in the Bank of England?

It is both unjust and impolitic to set the King aside in so important a matter ; but it may be conceived that the Bank on such occasions acts as a steward or agent authorised by his principal to give receipts in his name.

172.

If it were so, I should not complain : but the Bank does not make use of the King's name, nor are its notes an absolute legal tender, as his Majesty's money would be.

This is quite true ; and they who first advised the use of Bank bills by the state, instead of Government paper, were guilty, unintentionally, of the offence *læsa majestas*, for assuredly by this transaction the King's honour has been tarnished and his revenue injured.

173.

Is not his Majesty's prerogative also trenched upon by those other bankers who issue bank bills, for which they have no authority from the crown ?

No : for their paper is not money (see No. 62). A drawer and acceptor create a bill of exchange, which circulates on the faith of their solvency, or of those whose names are on the back of it. In *lieu* of this, private bankers or banking companies, for a certain advantage, give their *promissory notes*, which are of equal if not greater validity in common estimation, or the substitution would not have

been desired ; and which have this further recommendation, that while the bill of exchange is not payable in money before a certain future day, the notes of these bankers are so payable at any time. Thus bankers' notes are a *substitute for*, and an *improvement on*, the bill of exchange ;—they circulate *instead* of it, but they are not money, because they are not a legal tender ; they may be refused ; and therefore, though they form a very great part of the *currency* of the country, their issue is not an invasion of the king's prerogative.

174.

Are not Bank of England notes *money* by the recent act ?

No : they are only commercial paper, because they are not a legal tender when offered by the Bank, though that character is given them in some other instances. The circulating medium of the country is, in fact, almost all of it mere commercial currency :—the King's prerogative is forgotten ; and this change, I fear, is preparing the minds of many for a disuse of the King's authority in matters of higher importance. It was well said by Lord Chatham in the House of Lords :—"I revere the just prerogative of the crown, and would contend for it as warmly as for the rights of the people :—*they are linked together and naturally support each other*. I would not touch a *feather* of the pre-

rogative.”* And Junius, catching the idea, no less finely than truly adds :—“ The feather that adorns the royal bird supports its flight. Strip him of his plumage, and you fix him to the earth.”†

175.

According to your definition, we should have no money, if we had no taxes. Is it not so?

We should not have any *money*, nor should we require any. All transactions of a pecuniary nature would be represented by that kind of *commercial* currency, which we now possess. In exchange for this, goldsmiths and bankers would supply the precious metals, in convenient weights, stamped by authority, at the market price, and this would constantly keep our currency at par with the universal measure of value. With reference to such a currency as this, Sir William Petty, in his *Quantulumcunque*, ‡ truly says, that “we have in England materials for a Bank, which would furnish *stock* enough to drive the trade of the whole commercial world.”

* Speech, Jan. 22, 1770.

† Letter, Jan. 30, 1771.

‡ Written in 1682.

X.

PRINCIPLES OF CURRENCY,

176.

Agreeing with you in the several particulars which have come under our consideration while we have been engaged in this discussion, I should wish now to be presented with a connected view of the whole. Can you give me any principles, which will serve in my mind as so many stages in the course of our inquiry, by observing which I may at once discern the line which has conducted us from the beginning to the end of our journey?

To comply with your request, will afford you a decisive proof of the truth or falsehood of all our 'foregone conclusions;' for if they do not harmonize with each other, their discrepancy will be exposed by bringing them together; but if, on the contrary, they accord, and exhibit a consistent, successive, and complete series of propositions, founded on a basis which cannot be disturbed, they will advance a claim to conviction which I hope may prove irresistible. Without attempting to extract every principle which may have been es-

tablished, for that might distract your attention, or even to take them in the order in which we have been naturally led to consider them, because there is now another purpose to be answered, I will endeavour to show you the full scope and aim of our investigation, in a brief summary.

PRINCIPLES.

1. *Corn is the standard of value.*—Every man must be supported while he is employed in a useful occupation. For his subsistence he will require a certain quantity of corn. He must also be provided with clothing, lodging, furniture, implements, and other needful things. To furnish him with these, others must be subsisted, by having a further quantity of corn allotted them. The whole quantity of corn absolutely necessary to provide for the support and comfort of all those directly or indirectly engaged in the regular production and supply of any commodity, forms the standard of the ordinary value of that commodity.

2. *Gold and silver are the measure of value.*—If one quarter of wheat is necessarily consumed in the regular production and supply of ten penny-weights six grains of gold, or eight ounces of silver, these quantities of gold and silver are each of equal value with one quarter of wheat; and either metal may be used, in a proportionate degree, as the

measure of the value of any other quantity of wheat. Hence gold or silver becomes the measure of the value of any other commodity, the standard of which is corn.

3. *Gold* is, in Great Britain, the principal measure of value, to which silver is subordinated. On the Continent, *silver* is the principal measure, by which gold itself is estimated.

4. *Money* is a *token*, of a certain nominal amount, issued by the government in return for value received, and payable at the exchequer for taxes. Formerly large sums were represented by tallies of wood, issued by the state as tokens of value received, and smaller sums by the coins of the realm. A more convenient form of money at present is that of slips of paper representing the value of *one pound* and upwards, with coins for the fractions of a pound.

5. A *pound* is five pennyweights three grains of gold, which, being stamped at the mint with the king's impress, is called a *sovereign*. But unstamped gold is of equal value with that which is stamped or coined, if it be of equal purity. The fractions of a pound are represented by *silver* coins, and the fractions of these silver coins by *copper*; but both the silver and copper coins are respectively of much less intrinsic value in proportion than the quantity of gold for which they are made a legal equivalent, and therefore, in that same degree, they are tokens or money.

6. When gold is 3*l.* 17*s.* 10½*d.* per ounce, money and gold are at par.

7. It is the King's prerogative alone to issue *money*, for no one else has a right to give tokens of receipt for the king's revenue.

8. The government has no right to give tokens of receipt for a greater amount of revenue than the people, by their representatives, have consented to supply.

9. It is immaterial for the purpose of collecting the revenue, whether a smaller quantity of paper money is issued by the state, brought in by collectors, and re-issued so often as to amount to 50 millions in the course of the year, or 50 millions of notes are issued each of them only once ; but for public security the latter would appear the safer way, as every note may then be cancelled as soon as it is brought in—a plan which is adopted at the Bank.

10. If all the paper money annually issued by the government does not exceed the amount annually voted for the service of the year, and brought into the exchequer by the taxes, it cannot be considered depreciated, though gold should rise in price above par.

11. *Price* is the expression of the measure of value, and of that taxation which is charged on commodities by the producer.

12. Taxation may increase price, but it does not increase value.

13. Taxation has increased price, if gold rises above par, and there is a general rise in the price of all other commodities.

14. Other causes may raise the price of any commodity for a time, but not of all even for a time.

15. We bargain with foreigners according to the measure of value.

16. We bargain with each other according to price.

17. But the home price and the foreign value will each be represented by an equal quantity of the precious metals, taxation causing the difference of price.

18. Bills of exchange, promissory notes, bank bills, and cheques are not money. They are only *commercial bills* acknowledging and transferring *claims of debt*.

19. All commercial bills are legally payable *in money*, on the credit of which they pass current *as money*.

20. *Money* is the only *absolute* legal tender. A government note, however defaced and impaired, if its amount and genuineness can be ascertained, will be acknowledged in payment of taxes for the value it represented when it was issued.

21. A gold pound, or sovereign, is *not a legal tender*, unless it be of full weight. Though it bears the king's impress, it passes current only as bullion, and, if impaired, will not be acknowledged in

payment of taxes for the value it possessed when it was issued.

22. Money and commercial bills constitute the *currency*: to which may be added sovereigns of full weight, when the price of gold, being at par, admits of their coming into circulation.

23. Prices cannot rise beyond their proper level from excess of currency, so long as they are liable to the check of foreign and domestic competition.

24. A free trade and free currency will give the foreigner fair play in our own market, and will enable our agriculturists, manufacturers, and artisans to compete with the foreigner on equal terms in all the other markets of the world: an advantage which our people have never enjoyed since the national debt became a burden.

COROLLARY.

1. Either the productive classes must be allowed the means, by paper money, of charging the taxes which they cannot bear, to the rich consumer of their commodities; or the government must take its revenue directly from the rich by means of a property and income tax.

2. In the latter case, the price of corn will fall to the continental level, and the present owners of lands will be all ruined by the increased weight of the national debt; or, all fundholders, mortgagees,

and other receivers of fixed income, must receive a composition on their claims out of the bankrupt estates of the country.

3. “ But they who wish to be popular, and for that reason either attempt a division of lands, that the owners may be ousted from their seats, or reckon that loans should be forgiven the debtors— these men destroy the foundations of the commonwealth : first, concord, which cannot exist when money is taken away from some, and bestowed on others ; equity next, which is altogether removed, if it be not lawful for every one to have his own.” *

“ For this kind of wrong the Lacedæmonians expelled Lysander the Ephorus, and, what never before had happened among them, put to death king Agis : from which time, dissensions so great ensued, that tyrants arose, and the nobles were banished, and a most excellently constituted commonwealth was destroyed. Nor, indeed, did that state alone fall, but it overthrew even the rest of Greece by the infection of mischiefs, which, issuing from the Lacedæmonians, spread farther abroad.” †

* Qui vero se populares volunt, ob eamque causam aut agrariam rem tentant, ut possessores suis sedibus pellantur, aut pecunias creditas debitoribus condonandas putant, ii labefactant fundamenta reipublicæ : concordiam primùm, quæ esse non potest, cùm aliis adimuntur, aliis condonantur pecuniæ ; deinde æquitatem, quæ tollitur omnis, si habere suum cuique non licet.
—*Cic. de Off. l. ii. c. 22.*

† Propter hoc injuriæ genus Lacedæmonii Lysandrum epho-

4. All commodities would be convertible into each other, and all taxes payable, with ease and equity, if the king's prerogative of issuing all the money of the realm had not been suffered to fall into disuse. With taxes to the amount of fifty millions a-year, for the means of collecting which we ought to have a corresponding amount of government paper money, we have nothing now but a precarious supply, to less than half the amount, of the commercial bills of a banking company!—by the use of which, the state loses a million and a-half every year in interest; trade languishes for want of a free and equable flow of the circulating medium; and the lustre of the crown, in the exercise of one of its most imperial prerogatives, is eclipsed in the eyes of the people.

“ A falcon, towering in her pride of place,
Was, by a mousing owl, hawked at and killed.”

5. The convertibility of one commodity into all others, *according to* the measure of value, by means of the currency, is as much as can be required by prince or people for the fulfilment of contracts and

rum expulerunt; Agin regem, quod nunquam antea apud eos acciderat, necaverunt: ex eoque tempore tantæ discordiæ sequutæ sunt, ut tyranni existerent, et optimates exterminarentur, et præclarissimè constituta respublica dilaberetur. Nec verò solùm ipsa cecidit, sed etiam reliquam Græciam evertit contagionibus malorum, quæ, à Lacedæmoniis profecta, manarunt latius.—
Cic. de Off. l. ii. c. 23.

the security of property. The convertibility of all commodities into *one*, not *according to* the measure of value, but actually *into the measure of value itself*, is a totally different thing, and quite unattainable without the gift of Midas.

6. To fix upon any one commodity for the subject of this universal exchange, *according to* the measure of value, be it wheat, wool, lead, iron, cotton, or whatever is most abundant, would be to require that which nature cannot perform. To enact that the Bank shall provide for this purpose *gold*, almost the rarest thing in the world, without raising its price, or exhausting its supply, for these are the conditions imposed on the Bank—while it tells us officially, every month, that it has not in its coffers sufficient to fulfil one-fifth of its own engagements—is to suppose that an act of parliament can supersede the laws of nature.

But mistakes like these, on a subject of such complexity as the currency, may well be excused in those who have not made it their particular study: they are culpable only when they are persisted in, to the manifest injury of the community.

THE END.

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